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EDITORIAL

As We See It

The months of any national Presidential election campaign are almost *ipso facto* a silly season. The "ins" are regularly and repeatedly accused of all manner of shortcomings more or less regardless of the record, and are held responsible for virtually everything that the public does not like. It is not unusual for the incumbents to be belabored for the soundest and sanest things they have done. Their real shortcomings are frequently not even recognized. Meanwhile, candidates wishing to replace those holding office promise all manner of nonsense if and when elected. The powers that be, of course, usually see disaster if they are not returned to office, and do and say many things better left unsaid and undone.

The current campaign has been no exception to this general rule, and it would hardly be profitable to list all the buncombe to which the voter has been exposed during the past month or two. Much of it will be forgotten once the voting is over in any event, and quite possibly not trotted out again until another election overtakes us. There are, however, a few matters which have been definitely to the fore and which should be characterized for what they are in the hope that the public may be saved from the burdens likely to be imposed should they be proceeded with when the tumult and shouting are over.

One of these is the perennial question of housing, particularly so-called public housing. For sometime now housing construction activity has been comparatively low and getting lower. From the day it began to decline—indeed from the day when the soothsayers foresaw a decline — eco-

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A New Appraisal of the Electric Utility Industry

By HAROLD QUINTON*
President, Southern California Edison Company

Appraising the encouraging outlook for improved electric utility earnings and setbacks to proponents of socialized power, Mr. Quinton discusses: (1) long sustained growth record with average 10% compounded record growth rate available for common stock; (2) fight against preference clause; (3) indispensable growing use of electricity sharing directly in every other growth situation; and (4) more favorable consumer understanding, and offsets achieved against inflation and regulatory problems. Author advises selecting utilities whose growth prospects have not been fully discounted, and whose gross and net income, and earnings available for common, favorably compares with industry's record.

Many devices have been used to advance the socialization of labor, or banking, of the farmer, and of all industry; but none have been more effective than the preference clauses in legislation affecting the public utility industry. Our industry was most pleased that this subject was dealt with only last month in an excellent discussion released by one of the New York banks.

Harold Quinton

Why is the preference clause a matter of such vital interest to investors in the electric utility industry—investors in the electric industry or any industry?

May I give you just a very summary background. The preference clause first appeared in the Reclamation Act of 1906, giving the Secretary of the Interior the right to lease surplus power from irrigation projects; and I quote, "giving preference to

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*An address by Mr. Quinton before the Annual Trust Division Meeting of the 82nd Annual Convention of American Bankers Association, Los Angeles, Oct. 22, 1956.

ABA Holds 82nd Annual Convention

Meeting held in Los Angeles from October 20-24. Erle Cocke of Fulton National Bank, Atlanta, Ga., succeeds Fred F. Florence, President of the Republic National Bank of Dallas, as Association's President. Joseph C. Welman, President of the Bank of Kennett, Mo., becomes Vice-President, and George R. Boyles, Board Chairman of Merchants National Bank, Chicago, was reelected Treasurer. Convention addressed by Elliott V. Bell; Ray M. Gidney; Harold Quinton; Dr. O. B. Jesness; Eugene Holman; Fred F. Florence; Wellwood E. Beall, among others. Message from W. Randolph Burgess cites continued inflation danger.

The American Bankers Association's 82nd Annual Convention, held in Los Angeles from Oct. 21 through Oct. 24, elected Erle Cocke, Vice-Chairman of the Board and Chairman of the

Erle Cocke

George R. Boyles

Joseph C. Welman

Executive Committee of the Fulton National Bank, Atlanta, Ga., as President of the Association, to succeed Fred F. Florence, President of the Republic National Bank of Dallas. Joseph C.

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SECURITIES NOW IN REGISTRATION—Underwriters, dealers and investors in corporate securities are afforded a complete picture of issues now registered with the SEC and potential undertakings in our "Securities in Registration" Section, starting on page 50.

The Security I Like Best

A continuous forum in which, each week, a different group of experts in the investment and advisory field from all sections of the country participate and give their reasons for favoring a particular security.

(The articles contained in this forum are not intended to be, nor are they to be regarded, as an offer to sell the securities discussed.)

RICHARD K. SIMONDS

Baker, Simonds & Co.

Member Detroit Stock Exchange

Detroit, Mich.

Ex-Cell-O Corporation

Ex-Cell-O's growth during the past two years causes us to make a fresh appraisal of its prospects.

The company's 1955 business was divided into four main product lines: Machine Tools, 27%; Dairy Equipment, 21%; Cutting Tools, 8%; Aircraft and other precision parts, 44 percent. Ex-Cell-O's manufacturing facilities are located strategically across the nation from New Jersey to California, with the biggest concentration of plants in Michigan, Ohio and Indiana.

Richard K. Simonds

Sales and operating revenues have grown from $19 million in 1946 to $92.5 million in 1955, a yearly compound rate of growth of 17%. 1956 sales could reach $140 million. 1957 and 1958 may be years of consolidation for Ex-Cell-O, with sales between $140 and $150 million before new products lift sales to another high area in 1959 or 1960.

Profit margins, before taxes and after depreciation have run about 20% in the last five years. Expanded sales have been achieved in Michigan Tool Company, which became a wholly-owned subsidiary March 1, 1955. Good labor relations are anticipated; a three-year contract expiring Aug. 31, 1958, was signed with the UAW-CIO last November after a two-month strike.

Reported earnings per share grew from 69¢ in 1946 to $5.41 in 1955, an increase of 6.8 times. 1956 earnings of $7.75 to $8.00 per share are forecast. 1957 should be a better year for aircraft parts; Machine Tool volume should remain good on balance, with automotive tooling lower and an increase in government and non-automotive tooling. Pure-Pak (dairy machinery) is expected to continue its satisfactory growth.

Cash dividends are currently being paid at a $2.00 annual rate. Ex-Cell-O's growth has been financed chiefly out of retained earnings. $1.00 per share is currently spent for research. Larger inventories and accelerated income tax payments also require retention of earnings. Stock dividends of 50% in 1950, 10% each year in 1952, 1953, 1954, and a 2-for-1 stock split in April of 1955 were paid. Current needs are met through short-term bank loans. A long-term insurance loan at 3⅞%, the balance of which should amount to $3.5 million at the end of 1956, represents the only capital obligation prior to the common stock.

New machines by Ex-Cell-O are frequently developed. In 1955, the "Roto-flo" for chipless machining was introduced. In the field of automation, the Michigan Tool division has recently developed an "Output Stabilizing Unit" for installation between successive mechines in an automated line, enabling a continuous flow of parts. Two highly automated lines of production equipment have been installed in an automobile plant, further illustrating the companies activities in the field of automation.

An engineering and experimental group has been established at Walled Lake, Michigan, to develop new models of equipment. A prospective acquisition will strengthen Ex-Cell-O's entrance into the field of electronic controls.

British and European business has been expanded through the acquisition and enlargement of a plant in England.

Ex-Cell-O's sound and vigorous management has conceived a program of growth through new product development, and retained earnings. The result has been an increase in earnings in each of the last ten years. With expanding markets for the company's products, Ex-Cell-O is rapidly becoming a leading U. S. corporation.

LUCIAN L. VESTAL

Rotan, Mosle & Co., Houston, Tex.

Kerr-McGee Oil Industries, Inc.

Kerr-McGee Oil Industries common stock is one of the outstanding growth equities in the oil, gas and mining industries. The company possesses an abundance of the key ingredients which make for success in these industries — excellent management, broad land holdings in prolific regions, and substantial (and diversified) earning power.

Lucian L. Vestal

Through the brilliant and aggressive leadership of Senator Robert S. Kerr, Chairman, and Dean A. McGee, President, Kermac has become a major independent integrated oil and gas company and a recognized leader in contract drilling and in seismic exploration in the Gulf Coast Tidelands. These two respected executives have developed a management team and an engineering and geological staff ranked among the most capable in the oil industry.

"As of Jan. 1, 1956, the total of 155 wildcat wells drilled on 101 prospects off the shores of Louisiana and Texas had proved the existence of 64 oil and gas fields. Forty-one percent of the wildcats had produced; year in and year out 11% is the national average. . . . Many geologists will tell you that all 37 (prospects that did not produce) will eventually produce hydrocarbons in some quantity. . . . the geologist will tell you that he can put his finger on a number of oil and gas fields with more assurance offshore than in any place in the Western Hemisphere, perhaps in the world. The results of exploratory drilling and the existence of a number of undrilled prospects generally considered to be first class are intoxicating." These comments were made recently by an official of one of the largest and most active companies in the Gulf Tidelands.

One of the first to enter the Texas-Louisiana coastal waters (1947), Kerr-McGee carefully selected considerable prospective acreage which today approximates 76,000 acres under lease. Together with adjacent onshore holdings, Kermac's leases in this region exceed 100,000 acres, among the largest of any independent company represented in the area. When reduced to a per share basis, Kermac's holdings in the Gulf Tidelands are approximately twice those of any other major company and more than three times the average of all organizations known to be participating in offshore development. Company participated in the Tideland's first deep water oil well and Kermac has since discovered several of the area's most prolific fields. A recent South Louisiana strike is believed to be among the largest in company history and two others on, or adjacent to, Kermac leases are of major significance. Altogether, Kerr-McGee held some 1.2 million net acres as of June 30, 1955, representing large positions in Alaska, Cuba and U. S. mid-continent in addition to Louisiana and offshore.

Kerr-McGee is highly diversified with revenues divided between four major operating divisions — contract drilling, oil and gas producing, refining and uranium. I estimate that sales of refined products account for approximately 69% of total operating income followed by 13% contract drilling, 9% oil and gas production and 9% uranium. Growth of these divisions in the past presents a remarkable record. In six years contract drilling revenues have increased 140%. Sales of oil and natural gas gained 116%. Sales of refined products increased 900%. Company's uranium division commenced operations in 1952 and in just four years these revenues have advanced to $8.5 million (estimated) in fiscal 1956. But this success story is just beginning. Company's expansion program in 1956-57 and beyond is expected to increase profits sharply from all four of its principal divisions. I estimate that contract drilling revenues on an annual rate will increase 65% before the end of 1957 through additions to company's offshore fleet. Sales of refined products are expected to continue in a sharp uptrend. Expansion already completed within the uranium division assures another marked increase in company's profits in 1957 and the recent formation of a new uranium venture promises a pronounced gain in profits beyond 1957. Kermac participated in the organization of a new company last year for the purpose of mining and refining potash and other mineral resources. This activity should have an important bearing on profits beyond 1957. Last but by far the most important single factor in Kermac's future earnings is the enormous potential in its oil and gas producing division.

Kermac's profits after taxes increased from 8¢ per share in 1950 to $2.16 in fiscal 1956. Cash flow in the same period grew from $1.50 per share to $7.25. I expect Kerr-McGee in 1957 to earn close to $3.50 per share with cash flow in the neighborhood of $10. Earnings prospects now in sight promise further pronounced gains in 1958 and beyond.

The investor willing to sacrifice immediate yield should be well rewarded with a current investment in Kerr-McGee Oil Industries common stock, presently priced at 14.3 times estimated 1957 profits and 5.0 times cash flow. With only 1.8 million shares of common currently outstanding, the future of Kerr-McGee Oil Industries promises tremendous per share appreciation.

What's Ahead for Interest Rates

By RAYMOND RODGERS*
Professor of Banking, Graduate School of Business Administration and in the School of Commerce, Accounts, and Finance, New York University

After reviewing capital and credit unprecedented demand, and factors conditioning supply, banking economist Rodgers foresees inflation revival threat, and tight money continuing in immediate future so long as Federal Reserve is free from political domination, and business activity and prices do not turn down and savings do not increase significantly. Refers to such credit-creation limiting factors as: condition of banking reserves, steady increase in ratio of risk assets to deposits, and, in New York City, banking business loans increasing $3 billion but adjusted demand deposits declining. Advises not to underestimate economy's capacity to generate more capital supply, and that even if member bank reserves were made available many banks still would have to pursue a restricted loan policy.

It seems only yesterday that nearly everyone feared that interest rates never would stop going down—but they did! Today, in sharp contrast, nearly everyone fears that interest rates never will stop going up—but they will! Interest rates are not a "law unto themselves." They are the result of basic forces within the economy—forces which can be analyzed and evaluated. Any forecast which is not based on careful analysis of the pressures and trends in these underlying factors can be little more than a guess. Unfortunately, there is no short-cut, so let us briefly analyze the more important forces which determine interest rates under present conditions.

Raymond Rodgers

Basic Determinants of Interest Rates

The basic determinants of interest rates are business activity, capital supply and demand, credit supply and demand, price trend, employment or, rather, unemployment, trends, and credit policy of the Federal Reserve authorities.

Under present conditions of armed peace and roaring boom, business activity is the most basic of these basic forces. Business activity not only affects all of the other factors, it has practically a controlling influence on Federal Reserve policy, especially under present circumstances of practically full utilization of resources.

Business Activity

Business activity has been at such a high level that the Federal Reserve authorities have felt it necessary to follow a policy of credit restraint since the spring of last year. And it now seems certain that business activity will remain at a high level for the remainder of the year. Only an upset in the stock market or an upset in the national election, which would change public psychology and cause a consequential reduction in corporate and individual spending, could prevent a record-breaking fourth quarter.

Barring such an upset, retail trade, which has been at a record high each month since May despite slow automobile sales, promises to break all past Christmas records by 5% to 8%.

One disquieting indication of the feverish character of present business activity is the fact that higher interest rates and lessened availability of credit have had so little effect on corporate and individual spending. Instead of discouraging spending and expansion, the most recent discount rate advances seem to have been taken as unquestionable proof that business in the days ahead will be so good that continuous anti-inflationary pressure by the monetary authorities will be necessary to keep the good times from getting out of hand!

Against this background of practical certainty of the best 4th quarter business activity in our history, and high probability that it will be followed by a good first quarter, the outlook for capital supply and demand, and credit supply and demand, will now be appraised.

Capital — Supply and Demand

Despite the great growth in business savings and individual savings in the postwar period, demand has outrun the supply. Don't be misled by this development, as it is a temporary one. The ability of the American economy to create capital through regular saving, contractual saving, and negative saving is still fantastic and should not be underestimated by you men of finance. In fact, liquid savings (deposits, bond holdings and reserves on life insurance policies) increased $7.1 billion in the first half of this year, which is $1 billion greater than the increase in the last half of 1955—so the savings trend is apparently upward again.

There is no shortage on the supply side. The trouble is on the other side, as demand is even more fantastic than our ability to save. For example, mortgage financing, largely for homebuilding, has presented an almost insatiable

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*An address by Dr. Rodgers before 12th Annual Commercial Finance Industry Convention, New York City, Oct. 30, 1956.

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Fansteel Metallurgical Corporation

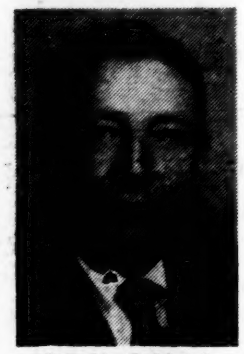
By IRA U. COBLEIGH

Author of

"How to Gain Security and Financial Independence"

Some current market and financial notes about a quite unusual company specializing in the treatment of unusual metals.

Fansteel Metallurgical is, in many ways, a remarkable company. As we noted in this column a couple of weeks back, Joy Manufacturing Co. makes no toys or games; and, in a like manner, Fansteel is a confusing corporate title since the company makes neither fans nor steel. Actually the name is merely phonetic spelling of the moniker of the founder, one Carl Pfanstiehl, who invented an X-ray induction coil around 1906, and started the enterprise rolling.



Ira U. Cobleigh

By 1913, the outfit was producing tungsten contacts for motor ignitions; it was incorporated under the present name in New York in 1917, and with various vicissitudes in the intervening years now devotes itself mainly to products based upon applications of tantalum, columbium, tungsten and molybdenum. These exotic elements, in case you didn't know, are called "refractory metals" which is another way of saying they won't melt till the thermometer reading (Fahrenheit) is above 3,632 degrees. Pretty fair in height we'd say!

Now, you may ask, what are the commercial (i. e. money making) uses of such strange sounding metals as tantalum and columbium? What can they really do for stockholders in the company that works in them? Let's commence with tungsten and molybdenum, for, at least, most people have heard about them. In addition to their use as alloys for steel, they're the major metals for all electrical contacts; and bear in mind that every electrical circuit requires at least two contacts. Whether you start your car, plug in a toaster, send a telegram, operate an electronic control, drive a diesel electric locomotive, or turn a dynamo, you've got to make circuits; and it's pretty likely Fansteel will help you. For Fansteel is turning out an amazing assortment of electric contacts at the rate—think of it—of over 700,000,000 a year; and selling them to over 700 fabricators and manufacturers. This division accounted for almost 30% of sales in 1955.

Refractory metals seem likely to account for about 25% of sales this year, and Fansteel products here include columbium, tantalum and tungsten metals, and molybdenum oxide. These are processed for sale in the form of powder, bar foil, sheet bar, rod or tubing. Most of these unfabricated refractory metals are sold to manufacturers of capacitors and electronic equipment; while company itself fabricates electronic tube components, tungsten X-ray targets, radiation shields, gyroscope rotors, and electric furnace elements. Tungsten and molybdenum retain great structural strength at high temperatures; while tantalum has great immunity, under all heat conditions, to the attack of corrosion or acid and can immobilize residual gases in electronic tubes. Columbium (a rarer sister metal of tantalum), with its low resistance to neutrons in motion, has been used in thermal nuclear reactors, and may have wide future usefulness in this field. Fansteel is the major producer of tantalum and columbium in the United States; and because the tantalum capacitor has such great electrical capacity in proportion to its size; and because columbium has such a romantic future in high energy equipment—for these reasons, in part, Fansteel common stock has rather appealed to speculators with an imaginative turn of mind.

Another major field, comprising some 20% of current sales is the Fansteel line of cemented carbides. Ranking third in this product line (after Carboloy division of General Electric, and Kennametal, Inc.) the Vascoloy-Ramet Corp. division of Fansteel turns out a series of items broadly useful in mining and metal working industries—carbide rock drills and bits, carbide cutters for coal mining machinery, cemented carbide tools, and tungsten-cobalt-chromium tools.

Another Fansteel department is the production of selenium rectifiers. These convert alternating current to direct current in a variety of ways, and depend on the element selenium, which is a by-product of copper refining (and is produced in the ratio of about three-quarters of a pound of selenium for each ton of refined copper). Further, along the copper line, another Fansteel subsidiary, W. W. Alloys Inc., manufactures and sells copper and copper-aluminum alloys.

A company like Fansteel can never rest on its laurels. Although a pioneer and a leader in the treatment and applications of the aforementioned unusual metals, the company continuously stresses research. It spends about 4% of sales per annum on engineering development and research; and its laboratory is replete with a corps of engineers, and a battery of Ph.D's.

The company has three major plants today, in North Chicago and Waukegan, Ill.; and in Livonia, Mich.; and is about to build a new plant (with 95,000 sq. ft. of floor space) for processing columbium and tantalum ores, in Muskogee, Okla. This is part of an $8 million over-all long-term expansion program.

The management team which took over in full upon the retirement, in 1954, of Robert J. Aitchison, (top officer from 1932/54) includes Dr. Frank H. Driggs, President, and Herbert B. Clark, Executive Vice-President and director. The total director echelon seems to function well as evidenced by the fact that Fansteel for 1956 will move forward into new high ground in point of sales and profitability. From the years 1951 through 1955, net sales ranged between $22¼ and $27½ millions. This year they should cross $31 million; and some estimates for 1960 run as high as $44 million.

From the foregoing, it would appear that Fansteel, which has been working in special metals for 40 years, with quite wide swings in corporate fortunes (including one reorganization) has now gotten onto the high road by technical manufacturing excellence and unique merchandising skill in unusual and strategic metal products. Many analysts are now asserting that Fansteel is entering a phase of pronounced growth.

If this is the case, then many investors may wish to update themselves in respect to the 766,000 shares of common listed on the New York Stock Exchange (symbol FNL) which bid fair to earn around $3.60 this year, and pay $1 in cash plus perhaps some extra in stock. The market price of 47 is about 13 times earnings, and based quite importantly on substantial optimism about the future of tantalum/columbium.

If you seek a somewhat more protected port of entry into FNL, you ought perhaps to look into the recent issue of $3 million 4¾% subordinated 20-year debentures (fully described in the prospectus of Oct. 9, 1956, which gives all and the only official current data about the company). These are convertible, in respect to each $1,000 bond, into common stock at $50. Since this call on the common is so very close to the market and is effective through 10/1/66 (excusing prior redemption of the bonds) the trading in these Fansteel 4¾s has been lively, with the issue currently selling at 108. Matter of fact, this particular "convert" appears to offer a rather unusual element of protection against drastic loss, for those who are willing to encounter the risks in exciting, and mayhap spectacular, metals.

The State of Trade and Industry

Steel Production
Electric Output
Carloadings
Retail Trade
Commodity Price Index
Food Price Index
Auto Production
Business Failures

Over-all industrial production perked up a bit in the period ended on Wednesday of last week and continued above that of the like period a year ago.

Output in the automotive, coal and lumber industries surpassed that of the preceding week, while the production of food products, paperboard and steel displayed a somewhat easier trend.

In the field of employment, claims for unemployed workers dropped 9% in the week and were 3% under the level of a year ago.

Further encouraging signs were the numerous recalls in the automotive, shoe and apparel industries.

The United States Department of Labor reported initial claims for unemployment insurance increased to 172,500 in the week ended Oct. 20 from 164,900 a week earlier. Claims totaled 181,800 in the corresponding week of 1955.

The weekly gain in new jobless pay applications was attributed to weather layoffs in lumbering and other outdoor work and scattered layoffs in the textile, apparel, leather and food processing industries.

Insured unemployment, which covers claims for completed weeks of unemployment, dropped for the fifth successive week, to 875,800, during the week ended Oct. 13, the agency stated. This compared with 887,900 in the previous week and 805,800 a year earlier.

Better employment conditions in a number of seasonal industries and recalls in automobile plants contributed to the reductions in insured unemployment, according to the department's Bureau of Employment Security.

New York led the other states in increases in initial claims for benefits with a gain of 5,200. Washington state had a weekly gain of 2,100; Missouri, 1,500; New Jersey, 1,200 and Massachusetts 1,200. Pennsylvania, though, reported a decline of 2,400 in initial claims.

Benefits rights were exhausted in eight large states by 7,400 persons, unchanged from the previous week, the Bureau reported.

In the steel industry this week, higher production and raw material costs are building up terrific pressure on the steel price structure. Last summer's post-strike price boost may prove to have been inadequate to offset higher costs, states "The Iron Age," national metalworking weekly.

There is not much chance of another base price increase before next July when the second phase of the new steel labor contract takes effect. However, steel price extras are under continuous study and will be watched even more closely during the next several months. If costs get out of hand, upward revision of price extras, the charge made by the mills for additional operations or special quality, would be one way of increasing revenues. Nothing is likely to happen before end of the year, the above trade weekly adds.

Meanwhile, production problems are continuing to plague automotive producers, reducing their "take" of cold-rolled sheets and other steel products. Once the production bugs are ironed out, Detroit will bear down on steel producers. This means they will be in the steel market strong in the first quarter as assembly lines are speeded up to cope with demand for new models, this trade paper declares.

Lack of demand from Detroit has resulted in a mild softening of the cold-rolled sheet market, but steel mills are producing at a record-breaking pace for the simple reason that the slack is being taken up by demand for hot-rolled sheets and other products.

Overall demand for steel, particularly plates, structurals and bars, continues this trade authority, is such that incoming orders have run eight to 15% ahead of shipments during the last few weeks with no sign of a letup.

Heavy order carryovers into 1957 are a certainty on some products. Mills that have opened first quarter order books report commitments running strong. One mill says cold-rolled sheets are already well committed for the first two months. Carryovers and strong demand from Detroit will tighten the market considerably.

The price situation is a delicate one for the steel companies. Increased raw material costs, especially scrap and coal, are squeezing profit margins. Last summer's strike on the ore boats is forcing expensive all-rail shipments to build up winter stockpiles. Other costs also have risen. The mills also need more money to help finance expansion and sweeten financial reports to attract investors.

On the other hand, producers are not going to boost prices, either base or extras willy-nilly. If and when they do, they will

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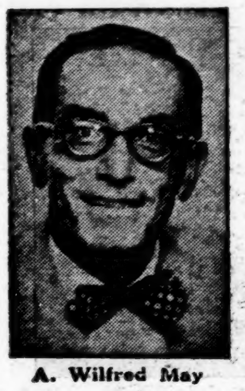
Observations . . .

By A. WILFRED MAY

SPOON-FEEDING THE INVESTOR
—and the Art Collector

Here is a welcome addition to the rapidly proliferating "how-to" investment literature that will nicely satisfy the present-day public's appetite for capsule-isation and simplicity *(How to Gain Security and Financial Independence, by Ira U. Cobleigh, 287 pp. $4.95; Hawthorn, N. Y.)*. In 272 short pages of text Mr. Cobleigh (with James H. Durgon of Standard & Poor's Corporation collaborating on the sections on common stocks), supplies the answers to questions perplexing the uninitiated, running the gamut from piggy-bank savings to oil and mining royalties. "How much of my earnings do I save? What kind of insurance should I carry and how much should I pay for it? What are the advantages of home ownership? How can I finance a home and what will it cost me? How can I build an investment portfolio that will pay off for me?," are some of the questions prompting specific *advice-to-the-investment-lorn*.



A. Wilfred May

A succinct concrete paragraph or two suffice to dispose of such ordinarily intricate and controversial key questions as: *which stocks to select* (with 144 words); *when to sell one's stocks* (130 words); and *how much life insurance to buy?* (1½ pages).

And implementing the general streamlining is a "Box Score" following each chapter, summarizing its major four of five chief items.

All this concentration and brevity has the constructive beneficial effect of giving valuable "pointers" to the beginner without the accompanying qualifications and complexities which customarily befuddle him. For example, just buy a "good" name stock, without worrying over beastly possibilities as whether the Blue Chip philosophy can be overdone, whether the Blue Chips don't sometimes turn yellow, whether the "bonus" thus paid for IBM, Carbide and the like at 30-40 times current earnings may not be overdoing it a bit, or whether the market speculator's proclivity to sell his good stocks to protect the questionable issues in a bear market, may not leave the name stock-er uncomfortably "hung up."

In any event, Mr. Cobleigh's absolutely unique faculty for translating Wall Street technicalities and jargon into five-cent words (there's no *corn-on-Cobleigh*) makes of his efforts a truly constructive service.

Furthering the Public's Art-Investment Foibles

Our author quite remarkably and with evident relish, devotes a full chapter to the profitable attributes of hobbies — notably painting, "the great collecting field." Here we must take issue with his good-humored acceptance of a serious prevalent foible. For his intriguing commentary will further the public's widespread and growing proclivity to accept false analogies between the art and stock markets, including the superficially arrived at but stubbornly defended conviction that "art is a fine investment"—in lieu of the realistic conclusion that *pictures should be bought for the right reason, namely aesthetic satisfaction, rather than for profit windfalls.*

It is quite true that there are certain points of similarity between the two markets. The *style* factor and the payment of premiums for "good" names are manifested by the acute Blue Chip-itis of contemporary stock as well as picture buyers. And the alleged *scarcity* element is habitually brought forth as a bull argument in both areas. (Just as "there are not enough Van Goghs to go around," the "good stocks are cheap at any price" credo sparked the stock market New Era of the nineteen-twenties, the twenty-seventh anniversary of whose demise we are this week so solemnly observing.) But these embrace stock market excesses wholly foreign to its investment attributes.

Such exceptional points of similarity should not, as they unfortunately do, obscure the fundamental linking of investment operations to quantitative criteria. Imponderables and "bugs" though there admittedly are that render difficult their effective use, estimates of such emoluments as dividend yield, future sales and earnings, are based on comparatively measurable data.

Contrastingly these fiscal and business data governing investment decisions are completely foreign to forces setting the varying price tags on artists and their works. The latter, of course, are devoid of balance sheet criteria, interest obligations or dividend payments to be capitalized. Realistic survey of the intermittent "values" placed on painters over the centuries are predominantly governed by *fashion*—a factor that is immeasurable and wholly unpredictable!

Furthermore it should be remembered that the continuing worth of a corporate security is safeguarded by the functioning of company management. It can expand its productive operations, diversify into new fields, modernize its equipment, intensify advertising and other promotional remedies to forestall loss of markets; or on the other hand flexibly economise and retrench when necessary. And if management does not thus act efficiently, it may be displaced by the owner-stockholders.

The purchase of a work of art, on the other hand, conveys no owner rights save the static title of possession.

Fashion and Aesthetic Reaction Not Subject to Long-Term Financial Appraisal

If any analogy with the area of finance is applicable, a picture is purely and simply a vehicle for speculation.

The invalidity of analogy between art collecting and invest-

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Income Tax Rules and Pointers For the Security Investor

By J. S. SEIDMAN
Seidman and Seidman, Certified Public Accountants

Well known accountant provides insight into 25% capital gains and other tax rules for the security investor, as distinguished from a trader or dealer. Mr. Seidman explains (1) obvious advantage in taking profits after a six months holding; (2) need to watch losses carefully at six months line to offset heaviest taxed profits; (3) short sale's use to shift profits or losses from one year to another, or indefinitely; (4) how to convert dividends and interest into capital gains; and (5) wash sale's identification in order to control profit or loss, and timing of year-end sales on an accrual or against a cash basis.

Capital-gain is still a magic word in Federal income taxes. The reason is simple. Individual tax rates can go to 91%. But with a capital gain, Uncle Sam's maximum take is 25%. Hence, the big push, is for capital gains.

J. S. Seidman

What is a capital gain? By and large, it is the profit on the sale of anything other than the merchandise of a business. A common example of a capital gain is the profit made by an investor on the sale of stocks and bonds. Everything here will accordingly be described in terms of securities, but what is said will also apply to commodities, foreign exchange, real estate, etc.

The rules for the security "investor" are different from the rules for those who do enough buying and selling to be a "trader" or "dealer." The rules for corporations are different from those for individuals. Only the individual investor will be considered here.

How the 25% Rule Works on Profits

Security profits and losses go in one of two baskets, based on the length of time the securities are owned. Six months is the dividing line. Profits and losses on securities held for more than six months (here called over-six-month profits) go in one basket. Profits and losses on securities held six months or less (here called under-six-month profits) go into the second basket.

Each basket is taxed differently. If there is a net profit in one basket and a net loss in the other, the two are netted. If this leaves a net profit in the under-six-month basket, that profit is reportable in full in the regular way. **If it leaves a net profit in the over-six-month basket, there is a two-way play, whichever gives the lower tax: (1) a flat tax of 25% of the profit or (2) reporting half the profit in the regular way.**

The 25% limit on the tax becomes meaningful to individuals with more than $16,000 income. That figure becomes $32,000 if husband and wife are involved and they file a combined return. People with lower incomes pay less than a 25% over-all tax. As the lowest regular tax rate is 20%, and only half the profits in the over-six-month basket need be reported, the tax on those profits for people in the 20% bracket is only 10%.

How Losses Are Treated

If the net results of the under-six-month basket and the over-six-month basket taken together, shows a loss, then regardless of what basket it comes from, the loss is deductible, within certain limits.

To illustrate: Suppose the net of all trades for 1956 is a $10,000 loss. Only $1,000 of this loss can be deducted in the 1956 return. The other $9,000 goes in the under-six-month basket for the five years 1957 to 1961, to apply against the first $9,000 of any net security profits in those years. If there are no net security profits in those years, $1,000 can be taken as a regular deduction from other income in each of the five years. That absorbs $5,000. Nothing can be done about the other $4,000. Security losses of any year can be carried forward only, not backward.

As this rule about carrying forward losses for five years has been in effect for some time, it means that losses as far back as 1951 can be used in 1956 returns, if not previously absorbed by profits.

Losses are always figured in full whether under-six-month or over. The tax savings from losses can run as high as 91%. Suppose, for example, Jones is in the 91% bracket, and that in 1956 he takes a $1,000 under-six-month profit. His tax on that $1,000 will be $910. However, if he then takes a $1,000 loss on securities, whether over or under six months, that will exactly offset the $1,000 profit, and wipe out the $910 tax. In other words, the $1,000 loss has saved Jones $910, or 91% in tax.

How Watching the Six-Month Line Saves Taxes

There is an obvious advantage in taking profits after a six-month holding. The tax rate then ranges from as little as 10% to a maximum of 25%. Before six months, the range is from 20% to 91%.

The six-month line also needs watching on losses, to make sure they offset the heaviest taxed profits. For example, suppose Jones has $2,000 of under-six-month profits and $2,000 of over-six-month profits. He also has an open loss of $2,000 on newly bought securities. If he waits to take the loss until after the six-month line has been passed, he must apply it against the $2,000 of over-six month profits. That leaves him with the $2,000 of under-six-month-profits to report. If he had taken his loss before the six-month period had run, it would have been applied against the $2,000 of under-six month profits. That would have left him with the $2,000 of over-six-month profits, of which only $1,000 need be reported (with a maximum tax of $500), compared with $2,000 of regular income the other way around.

All this means alertness throughout the year. To wait until the end of the year, as is so frequently done, may let the six-month mark slip by.

How Spacing Between Years Saves Taxes

Where there are over-six-month profits and no under-six-month profits, it is an advantage to take losses in a different year from the profits. For example, suppose Jones has $2,000 of open over-six-month profits and $2,000 of open losses. If he takes both in 1956, the result is zero.

If he takes the $2,000 losses in 1956 and the $2,000 profits in 1957, he is ahead of the game by a $500 deduction. It is figured in this way: For 1956, the $2,000 losses give him a $1,000 deduction and $1,000 to carry forward into 1957. This $1,000 is applied against the $2,000 of over-six-month profits in 1957, making a net profit for 1957 of $1,000, one-half of which, or $500, is reportable. Jones, therefore, has a $1,000 deduction in 1956 and $500 income in 1957, or a net deduction for both years of $500.

Jones' best bet, however, is to switch the thing the other way around and take the $2,000 over-six-month profits in 1956 and to take the $2,000 losses in 1957. By doing this, he reports in 1956 one-half the $2,000 profits, or $1,000. In 1957, he has a deduction of $1,000 of the $2,000 of losses. In 1958, he deducts the remaining $1,000 of the $2,000 losses. The net effect for the three years is a deduction of $1,000, whereas taking the losses first, resulted in a net deduction of only $500, and taking the profits and losses in the same year was merely a stand-off.

How Short Sales Can Be Used to Tax Advantage

Through a short sale it is possible to shift profits or losses from 1956 to 1957, or for that matter indefinitely. This is because of the rule that no gain or loss need be reported on a short sale until the short position is actually closed out.

Here is how the shift is accomplished: **Jones has in his box 100 shares of stock that he bought in August 1956 at 60. In December 1956, or four months later, and when the market is 85, he goes short the stock with his broker. He can take the stock out of his box in December 1956 and deliver it to the broker to close out the short sale. That will result in a $2,500 under-six-month profit. If he figures he is better off from a tax standpoint to push the $2,500 profit into 1957, all he need do is hold off recovering the short sale until some time in 1957. That takes it out of his 1956 return and puts it in 1957.**

No matter when Jones covers, it

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World and U. S. A. Outlook After Decade's Economic Growth

By WILLIAM F. BUTLER*

Consulting Economist, The Chase Manhattan Bank

Continuation of remarkable past decade's economic growth into a period of real prosperity and expansion both in the U. S. A. and in most nations of the world are foreseen by Chase Manhattan consulting economist who recounts progress in containing inflation and increasing output. Does not believe the world can continue to move ever upward, ever onward, but opines fine outlook need not be jeopardized by allowing a speculative boom. Turning to the U. S., Mr. Butler sees increasing Government expenditures, surging business investment and strong consumer markets, precluding recession providing we manage our economic affairs well. Sees possible higher short-term interest rates and rediscount rate before end of the year.

The remarkable growth in production in most nations of the world is the outstanding feature of the postwar economic picture. For the postwar decade as a whole, production in Western Europe has risen an average of almost 6% per year. The average annual increase in the U. S. has been 4¼%, in Canada 3.8% and in Latin America 4¾%. Southeast Asia has not matched these growth rates, although in the past two or three years there are signs that most economies have moved off dead center, in the sense that production is rising faster than population.


William F. Butler

The growth of world production in this period is most impressive. It is substantially greater than in any other period of the present century. A significant aspect of the postwar record is the resumption of economic growth in Western Europe, after a period of 20 years during which Western European production barely kept pace with population growth.

World Capital Investment and Production

The growth of world production was sparked by an investment boom, capital investment is well above its prewar level in each nation. It's more than double prewar in Canada and the U. S. And capital investment has been rising at a good pace in Germany, the U. K. and Italy. Virtually all nations in Western Europe and in the Western Hemisphere are devoting 15-20% of their production to capital investment. And, in a few cases, like Western Germany, Canada, Venezuela and Peru, the investment ratio is above 20%.

This broad upsurge in capital investment around the world is the best possible warranty of a continued expansion in world production. Increased investment in new plant and equipment supports the rise in output per worker, or productivity — the essential element in economic growth. The world-wide investment boom also augurs well for U. S. exports, since we are a large supplier of machinery and equipment.

The growth in world production and investment in the postwar era has been accompanied by widespread inflationary pressures. Trends in consumer prices increased since 1950 in a number of industrial nations. The early postwar years saw inflationary price increases throughout the world. Then the Korean War brought another inflationary upsurge. Once the Korean boom ended, however, the price trend leveled out in most nations.

Price indexes have been level in the U. S., Canada, Western Germany and France for 4½ years. They've continued to rise in the U. K. and Italy, though at a more moderate pace than in earlier postwar years. The trend towards continued inflation in Mexico is typical of that in a number of important Latin-American nations. The failure to cope with the problem of inflation is the root-cause of the balance of payments deficits plaguing Brazil, Argentina, Chile, Colombia and Uruguay.

Explains Leveling of Prices

What explains the leveling in prices in many important nations? It seems to me that there are two basic reasons. The first is the rise in output per man-hour, or productivity. The rise in productivity stems most importantly from the high level of capital investment.

The relationship between wage rates, productivity and prices is basic to the inflationary problem. When wage rates rise faster than productivity, prices are pushed up. The fact that prices have been stable in a number of nations in recent years means that the increase in productivity has matched the rise in wage rates. This has been generally true in the U. S., Canada, Western Germany and France. The continued rise in prices in the United Kingdom reflects the fact that wage rates have gone up faster than productivity.

The second important factor in containing inflation is the revival of monetary policy. To have inflation, you have to have too much money and credit chasing around after the supply of goods and services. During the 1930's and during World War II most nations followed "easy money" policies. They forced interest rates down by creating huge supplies of money and credit.

German Monetary Reform Sets the Pace

In the process, Central Banks lost all control over money and credit. Commercial banks were so loaded with highly-liquid government securities that they could easily meet any conceivable loan demands. In the early post-war period, therefore, there was plenty of money and credit around to keep the inflationary spiral whirling. As a result, prices more than doubled in most nations between 1939 and 1949.

After the spectacular success of the German monetary reform in 1948, more and more nations turned to the traditional controls overn money and credit to combat inflation. Central banks in five nations have changed their discount rates since 1954. There was a general tendency to ease credit in 1954, as the U. S. was undergoing a mild recession. Then, when world production moved up during 1955, most Central Banks moved to tighten credit. The stability in prices testifies to the wisdom of these actions.

Describes Events in U. S. A.

Now, let's turn to the money and credit situation in the United States. The over-all price index has been remarkably stable for the past 4½ years. In this period, the Federal Reserve tightened credit in early 1953, then eased credit from mid-1953 through early 1955 to deal with the recession in general business.

During 1955 we had a very sharp credit expansion. Spurred by heavy demand for new homes and new cars, mortgage debt rose 17% and instalment credit rose 20%. Clearly, these rates of increase could not be sustained. And, in fact, they were not. Tightening credit, plus a slowdown in auto sales, has slowed the rise in mortgages and instalments credit.

Meantime, business investment in new plant and equipment has moved onto new high ground. The current level of expenditures is about 50% greater than the rate in the first quarter of last year. This increase in business investment has been a very important factor in the rise in bank loans, which have gone up $18 billion, or 25%, in 18 months.

Commercial banks have been able to expand loans in face of the Federal Reserve's tight credit policy because they have had government securities to sell. They have sold $13 billion of securities in the past 18 months. However, this process cannot go on much further. Banks are down to about $3 billion of short-term governments. The ratio of loans to earning assets is up to two-thirds. From now on, the ability of banks to expand credit is in the hands of the Federal Reserve.

Federal Reserve to Keep Tight Rein

To date, actions of the Federal Reserve would indicate that credit will continue to be very tight for some time. The Federal Reserve shows no signs of supplying more reserves than are needed to meet the seasonal rise in loan demand during the second half. Strong loan demand pushing against a tight bank reserve position can produce even tighter markets than exist today. I would not be at all surprised to see higher short-term interest rates, and a higher Federal Reserve discount rate, before the end of the year.

Now, tight credit is a most potent weapon against inflation, particularly in a situation where banks have very little excess liquidity. The danger is that too heavy a foot may be placed on the brake of credit control. Controls over money and credit have, on the record, impressive potentials for backfiring and contributing to a business downturn.

My personal belief is that credit controls will continue to have a salutary effect on our economy in the months ahead. I think they will help us avoid an undue exuberance, without checking the normal growth in production and employment. In short, I expect the economy will continue to move ahead at a good pace well through 1957, with no more than a tolerable amount of price inflation.

Business Outlook

I might attempt to outline briefly the reasons why I have arrived at these conclusions. It seems to me that the business outlook can be summed up in these terms:

(1) Government expenditures are moving up, with more scheduled to be spent on roads, farm programs, schools and defense;

(2) The current wave of business investment in new plants and equipment promises to surge on well through 1957;

(3) Consumer markets are strong, bolstered by continued increases in wage rates—as well as by aggressive selling and pricing policies on the part of most businesses.

With such overwhelming strength in the key areas of our economy, I do not see how we can be so inept in managing our economic affairs as to work ourselves into a recession in the year ahead.

To the contrary, I think our problem is that of avoiding an exuberant boom. We have now enjoyed a period of prosperity and growth which dates back to prewar days. I do not believe that this performance means that we have succeeded in making the business cycle obsolete. We have learned a lot about the business cycle—enough so that I would doubt whether we could again mismanage our affairs so badly as to have another period of stagnation like that of the 1930's. It took a major war to get the U. S. economy moving ahead after the debacle of the 1930's.

We have had periods of extended prosperity in the past century—I think the National Bureau of Economic Research has recorded four long periods of prosperity and growth. Each of them has culminated in a speculative boom, followed by a spectacular bust. It seems to me that the major economic problem we face today is that of avoiding the sort of boom that always has preceded the collapse. If we can keep our feet on sound ground, I have great confidence that we can continue to move ahead, and enjoy a degree of prosperity and growth that will be one of the marvels of the age.

Continued Credit and Wage Restraint

Keeping our feet on sound ground involves a continued restraint in the credit field of the sort the Federal Reserve is now applying. It involves, too, a cautious attitude on the part of both lenders and borrowers—both have a responsibility in avoiding excesses. Another major problem is to keep wage increases in line with the rise in the economy's productivity — recent wage increases seem too large to be supported by productivity. If wages continue to rise too fast, we may have real trouble later on.

I suppose it is my duty to sum up my remarks by telling you what I think is likely to happen to the U. S. economy, and to the World economy, in the next year or so. I do so with some trepidations, for the fine art of business forecasting is still in a deplorably primitive stage. Nonetheless, here is a summary of the points I have tried to register:

(1) The past decade has witnessed a remarkable economic growth both in the U. S. and in most nations of the world.

(2) Inflation, which in my book is a synonym for unsound growth, has been a major problem in most nations.

(3) Most nations, including the U. S., have made genuine progress in containing inflationary pressures during recent years.

(4) While progress to date has been most encouraging, it is still far from clear that the world economy can continue to move ever upward, ever onward.

(5) The great problem, in the U. S. and in most other nations, is that of avoiding the over-confidence which in the past has always brought on a speculative boom.

I do not wish to end on a pessimistic note, for my personal view of the world economic outlook is most bullish. I think the world is in the midst of one of the historic upward swells in production that promises to revolutionize the lives of a great majority of the world's peoples. I think it is possible that we in the U. S. and people in other nations can upset this fine outlook, if we lose our heads and have a speculative boom. But I think it is far more probable that the world economy will continue to move ahead into a period of real prosperity and expansion.

*An address by Mr. Butler before the Annual National Conference of the Controllers Institute of America.

Colbert Optimistic On Economic Outlook In Western Europe

Business leaders throughout Western Europe share a strong confidence in the economic outlook for the coming year, according to L. L. Colbert, President of Chrysler Corporation, who returned Oct. 29 from an extensive business tour of free Europe.


L. L. Colbert

The optimism of the European automobile industry was particularly impressive, Mr. Colbert said. From interviews with scores of European businessmen and from observations at the Fall Auto shows abroad, Colbert said that he received the impression that the people of European countries are showing a greater interest in automobiles than ever before.

Mr. Colbert began his tour with a visit to the Paris Automobile Show early this month, followed by visits to the auto shows at London and Rome.

His visit to the Italian Auto Show yesterday provided a satisfying close to his trip as a Chrysler New Yorker was awarded first honors at the Show.

While in Rome on Saturday, Mr. and Mrs. Colbert had a special audience with Pope Pius XII.

During his 20-day trip, Mr. Colbert visited the plants of Chrysler Motors Ltd. and Dodge Bros. Ltd. in England, the Chrysler plant at Antwerp, and had a number of meetings with European Chrysler Corporation dealers.

Donald C. Stroud Joins McDonnell & Co.

McDonnell & Co., 120 Broadway, New York City, members of the New York Stock Exchange, have announced that Donald C. Stroud has become associated with the firm as Manager of the Municipal Bond Department. Mr. Stroud was formerly with Union Securities Corporation.

James M. Davies With McAndrew & Co., Inc.

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif. — James M. Davies has become associated with McAndrew & Co., Incorporated, Russ Building. Mr. Davies in the past was a partner in Reynolds & Co. and prior thereto in his own firm of Davies & Co.

Leo Shaw Joins Ladenburg, Thalmann

Ladenburg, Thalmann & Co., 25 Broad Street, New York City, members of the New York Stock Exchange, have announced that Leo G. Shaw has become associated with their firm. Mr. Shaw was formerly a partner in Salomon Brothers & Hutzler.

With Union Security

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill. — Richard H. Sigel has joined the staff of Union Security Company, 23 South La Salle Street.

Taking a Long View of the Bank Holding Company Act

By J. L. ROBERTSON*

Member, Board of Governors of the Federal Reserve System

In briefly summarizing the Bank Holding Company Act's self-executing and discretionary provisions, Federal Reserve Board member emphasizes the task confronting the Board in carrying out its responsibilities, and requests constructive criticism of this admittedly imperfect legislation. Mr. Robertson makes clear that the statute is not intended to stop bank holding company expansion, but to confine it within limits of sound competitive banking. Cites some of the inconsistencies, inequities and illogical provisions of the holding company legislation, but affirms Board's intent to carry out the existing law to the best of its ability.

When Public Law 511 was approved by President Eisenhower on May 9, I suspect that most of the independent bankers participated in a sigh of relief—and exhaustion — almost without precedent in the annals of American banking. Personally, I was very pleased to see the end of that chapter in the history of bank holding companies, for this year marked the twentieth consecutive session of Congress during which I have worked on at least one holding company bill. How many of you recall the so-called "freeze" bill—S. 3575—that Senators Glass and McAdoo introduced one cold morning early in 1938? To connoisseurs of holding company legislation that by-gone bill is regarded in much the way lawyers regard the ancient Babylonian Code of Hammurabi—rough and primitive, but understandable and effective.

J. L. Robertson

Often during the intervening years I lost track of the current status of this epic struggle—whether the bill currently "in favor" with this group or that was of the "off-with-his-head" variety or one of the mild administrative regulation type, or one of the dozen hybrids—some of which look like monstrosities, in retrospect—we hatched over the last two decades.

Now that we have the statute, the independent bankers of the country may feel they can breathe easier, but for the Federal Reserve the future appears at least as difficult and laborious as the past. Saddled with the thankless job of administering one important segment of the Act, we are in danger of forgetting just where our part of the work fits into the whole picture. Consequently, it would be of benefit to me—and perhaps to you also—to draw back and view the Bank Holding Company Act in perspective—to summarize briefly and broadly what that statute did with finality and what it left to be worked out through regulation and adnministration, chiefly by the Board of Governors.

From the point of view of the Board of Governors, life would be much simpler today if Congress had passed old S. 3575. Its basic operative provisions were delightfully simple and would have required little administrative implementation—on the contrary, they would have cut down the work of Federal bank supervisors. Just to make you nostalgic, let me read to you the operative provisions of sections 4 and 5 of that bill:

"Sec. (4) It shall be unlawful for any company to acquire any capital stock . . . of any insured bank . . . if such company is or upon such acquisition would become a nolding company of any insured bank.

"Sec. (5) No insured bank shall establish or operate . . . any new or additional branches while such insured bank is controlled by any holding company."

I have little doubt that some of the more bloodthirsty gentlemen are at this moment smacking their lips over this reminder of "what might have been"; but they, along with all the rest of us, must turn from the dreams of the past to the harsh realities of the enrolled bill—a bill designed to fill two gaps in the existing law: (1) to prevent undue expansion in the number of banks controlled by holding companies, and (2) to require holding companies to divest themselves of nonbank businesses.

Inconsistencies and Inequities

Let me make clear at the outset that the Bank Holding Company Act is not a simple law—it is sufficiently complicated to provide considerable work for the legal profession. In addition, it is far from being a perfect piece of legislation. This is not surprising in view of the complexity of the subject and the fact that the Act represents an attempt to reconcile so many different views. When he signed the bill the President observed, as you well remember, that because of various exemptions and special provisions, it falls short of achieving its objectives. Certainly the statute contains some inconsistencies and some inequities.

For example, the definition of the term "bank holding company" is based on 25% ownership of control of two or more banks. As a result, it does not fully accomplish one of the major purposes of the legislation—the prevention of potential abuses arising from control by a single corporation of both banks and nonbank businesses. In testifying before the committees of Congress, I argued that such abuses could exist as well where a company controlling various business enterprises also controls one large bank as where such a company controls a few small banks. I still believe that the two-bank definition, while adequate with respect to "expansion," falls short of either consistency or equity when applied to the divestment provisions of the Act.

Some of the exemptions in the statute are difficult to justify on logical grounds. A good illustration is the exemption of any company registered before May 15, 1955 under the Investment Company Act. This provision relieves one company, and, as far as I know, only one — from the requirements of the statute, and I can see no rhyme or reason to justify it. It seems obvious that the purposes and requirements of the Investment Company Act are totally different from those of the Bank Holding Company Act, and I cannot understand why a company should be relieved from compliance with the latter merely because it is subject to the former.

There are other exemptions in the divestment section of the Act that clearly were tailored to fit the circumstances of particular cases and to exclude particular companies. Several of these exemptions were added during the closing hours of debate on the bill in the Senate and their justification is, at best, doubtful.

As in other pieces of hard-fought legislation, there are some provisions in this statute which are ambiguous and difficult to interpret. There are some which, if literally construed, would seem to lead to results contrary to the purposes of the law. There are instances in which it seems the language of the Act will cover transactions which were not intended to be covered, and other instances in which transactions should be covered but are not.

The hard fact, however, is that despite its imperfections and inequities, the statute is now a part of the law of the land. If any of us—in or out of government—had different views on certain aspects of the legislation before its enactment, those views are now irrelevant, except with regard to suggestions for amending the law at the appropriate time. The Board has a clear responsibility to apply the statute in accordance with its terms and in the light of its general purposes. The Board's job is to administer, not to legislate. In so doing, its sole aim will be to perform its functions as efficiently as possible, and above all, with fairness and impartiality.

What May Be Held and Acquired

Having determined — for good or ill—what is a bank holding company, the Act deals with the crucial question of what those companies may continue to hold—or "get hold of" hereafter—and what they must let go and never again pick up. That's the real meaning, as you know, of what are called, in a dignified way, the "acquisition" and "divestment" provisions of the law.

The so-called Douglas Amendment in effect declares that no holding company may acquire additional banks outside of its own State, except in States that have passed laws that explicitly welcome such acquisitions by out-of-State holding companies. I shall leave it to your prophetic insight to decide how many States may be expected to enact such permissive legislation at their next—or any other—legislative session.

The Holding Company Act also contains a flat prohibition against holding companies' acquiring the stock of nonbank corporations, and requires them to wind up or dispose of their nonbank businesses within the next few years. As usual, there are a number of exceptions to these requirements, but that is the general effect of section four of the Act.

We see, therefore, that the out-of-State-expansion provisions and the divestment-of-nonbanking-interests provisions of the Act are basically self-enforcing, although the Board of Governors has duties even with respect to those matters that are likely to develop a number of thorny problems.

Federal's Principal Assignment

New let us look at the Federal Reserve's principal assignment—which naturally looms very large in my thinking. We are required to pass upon applications by holding companies for permission to acquire additional bank stocks. In doing so, we must be guided by certain standards which Congress has prescribed in the law itself. These standards relate to financial condition; future prospects; character of management: needs of the community; and restriction of holding company growth within limits consistent with sound banking, the public interest, and the preservation of competition. These are not rule-of-thumb standards. In applying them, the Board must carefully consider all the circumstances of each case that comes before it, weighing one factor against another; and — needless to say — no factor will always weigh the same and no two cases will ever be exactly alike.

The express requirement of the Holding Company Act that the Board consider the effect of a proposed transaction upon the preservation of competition presents problems that call for the wisdom of a Solomon—and there are not many of them around. Whether you fully appreciate it or not, there are some differences between a great metropolitan area—for example, New York City—and my home town, Broken Bow, Nebraska. One can imagine a multimillion dollar holding company acquiring a bank in New York City without unduly upsetting competition there. But if such a corporation acquired one of the three small banks in Broken Bow, the other two might fear that their life expectancy had been shortened. Even a Solomon

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*An address by Mr. Robertson before the Independent Bankers Association, 12th Federal Reserve District, at the American Bankers Association Convention, Los Angeles, Calif., Oct. 22, 1956.

Dealer-Broker Investment Recommendations & Literature

It is understood that the firms mentioned will be pleased to send interested parties the following literature:

Atomic Letter (No. 22)—Comments on atomic merchant ship program with particular reference to **Brush Beryllium**—Atomic Development Mutual Fund, Inc., Dept. C, 1033 Thirtieth Street, N. W., Washington 7, D. C. Also available is quarterly report for period ending Sept. 30, showing table on atomic aircraft program and prospect for British use of atomic power and impact on Canadian uranium, etc.

Bank & Insurance Stocks—98th consecutive quarterly comparison of leading banks and trust companies of the United States—New York Hanseatic Corporation, 120 Broadway, New York 5, N. Y.

Burnham View — Monthly investment letter — Burnham and Company, 15 Broad Street, New York 5, N. Y.

Dividends Are a Girl's Best Friend—List of ten "brand name" stocks which appear favorable for dividends and later profits—Bache & Co., Dept. A-46, 36 Wall Street, New York 5, N. Y. Also available is an analysis of **Copperweld Steel Company** and bulletins on **El Paso Natural Gas** and **General Electric.**

Japanese Stocks — Current information — Yamaichi Securities Co., Ltd., 111 Broadway, New York 7, N. Y.

New York City Bank Stocks — Comparative figures — First Boston Corporation, 100 Broadway, New York 5, N. Y.

Over-the-Counter Index—Folder showing an up-to-date comparison between the listed industrial stocks used in the Dow-Jones Averages and the 35 over-the-counter industrial stocks used in the National Quotation Bureau Averages, both as to yield and market performance over a 13-year period — National Quotation Bureau, Inc., 46 Front Street, New York 4, N. Y.

Philadelphia Bank Stocks—Comparison of 11 largest Philadelphia Banks—Stroud & Company, Incorporated, 123 South Broad Street, Philadelphia 9, Pa.

Pocket Guide for Today's Investor—Pamphlet containing lists of selected securities for income, growth and trading—Harris, Upham & Co., 14 Wall Street, New York 5, N. Y.

Tax Tips—22 suggestions to save money—in current issue of "Market Pointers"—Francis I. du Pont & Co., 1 Wall Street, New York 5, N. Y. Also in the same issue are a list of candidates for tax losses and suggested tax switches and analysis of the domestic **Oil Situation, Defensive Characteristics in Utilities** and potentialities in **Department Store** shares. Available in the current issue of "Gleanings" are lists of favorably situated stocks, selected issues with high yield, and special situations.

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Aeroquip Corp.—Analysis—Seligman, Lubetkin & Co., 30 Pine Street, New York 5, N. Y.

Aztec Oil & Gas Company—Analysis—Granbery, Marache & Co., 67 Wall Street, New York 5, N. Y. Also available is an analysis of **Lionel Corporation.**

Central Fibre Products Co.—Memorandum—G. H. Walker & Co., 503 Locust Street, St. Louis 1, Mo.

Douglas & Lomason—Report—General Investing Corporation, 80 Wall Street, New York 5, N. Y.

Eagle Picher Co. — Memorandum — Walston & Co., Inc., 120 Broadway, New York 5, N. Y.

Georesearch, Inc. — Analysis — Southwestern Securities Company, Mercantile Commerce Building, Dallas 1, Texas.

Gulf Life Insurance Co.—Memorandum—Louis C. McClure & Co., 617 Madison Street, Tampa 2, Fla.

Gunnar Mines, Ltd.—Analysis—Oppenheimer & Co., 25 Broad Street, New York 4, N. Y. Also available is a memorandum on **Chrysler Corp.**

Hudson Bay Mining & Smelting Co., Ltd.—Analysis—Burns Bros. & Company Limited, 44 King Street, West, Toronto 1, Ont., Canada.

Maine Turnpike—Bulletin—Tripp & Co., Inc., 40 Wall Street, New York 5, N. Y.

National Income Series — Report — National Securities & Research Corporation, 120 Broadway, New York 5, N. Y.

Nekoosa Edwards Paper Company—Analysis in current issue of "Business & Financial Digest"—Loewi & Co., Inc., 225 East Mason Street, Milwaukee 2, Wis.

North European Oil Co.—Memorandum—L. D. Sherman & Co., 30 Broadway, New York 6, N. Y.

Pittston Co.—Memorandum—H. Hentz & Co., 60 Beaver Street, New York 4, N. Y. Also available is a memorandum on **Thrifty Drug Stores Co.**

Public Service Co. of New Mexico — Memorandum — Austin, Hart & Parvin, 4119 Broadway, San Antonio 9, Texas.

Remington Arms Co.—Analysis—Bregman, Cummings & Co., 100 Broadway, New York 5, N. Y.

Revlon — Analysis — Reynolds & Co., Att.: Mr. Richard S. Graham, Dept. FC, 120 Broadway, New York 5, N. Y.

A. O. Smith Corp.—Memorandum—Robert W. Baird & Co., 110 East Wisconsin Avenue, Milwaukee 1, Wis.

Sterling Drug Incorporated—Report—Harris, Upham & Co., 120 Broadway, New York 5, N. Y. Also available is **"Military Investment Manual,"** and an analysis of **Fansteel Metallurgical Corporation.**

Supercrete Ltd.—Analysis—Unlisted Trading Dept., Ira Haupt & Co., 111 Broadway, Room 707, New York 6, N. Y.

Transocean Corp. of California—Report—Leason & Co., Inc., 39 South La Salle Street, Chicago 3, Ill.

Trust Company of North America—Bulletin—Laird, Bissell & Meeds, 120 Broadway, New York 5, N. Y.

United Pacific Corporation—Analysis—Wm. P. Harper & Son & Company, 1504 Third Avenue, Seattle 1, Wash.

Vendo Corp.—Memorandum—Doyle, O'Connor & Co., 135 South La Salle Street, Chicago 3, Ill.

Vitro Corporation of America—Analysis—New York Hanseatic Corporation, 120 Broadway, New York 5, N. Y. Also available is a report on **Resort Airlines Incorporated.**

NSTA Notes

NATIONAL SECURITY TRADERS ASSOCIATION INC.

INVESTMENT TRADERS ASSOCIATION OF PHILADELPHIA

The Investment Traders Association of Philadelphia will hold their fourth annual dinner dance on Saturday evening Nov. 17, 1956 at the Germantown Cricket Club.

FLORIDA SECURITY DEALERS ASSOCIATION

At its annual meeting the Florida Security Dealers Association reelected to office, H. George Carrison, Pierce, Carrison, Wulbern, Inc., President; William H. Cates, Tallahassee, Vice-President; and Loomis C. Leedy, Jr., Leedy, Wheeler & Alleman,

H. George Carrison

William H. Cates

Loomis C. Leedy, Jr.

Orlando, Secretary-Treasurer. Clifford U. Sadler, Davidson-Vink-Sadler, Inc., St. Petersburg, was reelected to the board and Louis C. McClure, Louis C. McClure & Co., Tampa, was named a new member of the board.

The Association is actively supporting modification of the Florida security regulation law for the advantage of the industry and of the public.

COMING EVENTS

In Investment Field

Nov. 8-9, 1956 (New York City)
New York Society of Security Analysts Fourth regional convention at the Waldorf Astoria.

Nov. 14, 1956 (New York City)
Association of Stock Exchange Firms meeting of Board of Governors.

Nov. 17, 1956 (Philadelphia, Pa.)
Investment Traders Association of Philadelphia Fourth Annual Dinner Dance at the Germantown Cricket Club.

Nov. 24, 1956 (New York City)
Security Traders Association of New York cocktail party, dinner and dance in the Grand Ballroom, Hotel Commodore.

Nov. 25-30, 1956 (Hollywood Beach, Fla.)
Investment Bankers Association of America annual convention at the Hollywood Beach Hotel.

Dec. 7, 1956 (New York City)
Security Traders Association of New York annual meeting and cocktail party at the Bankers Club.

Jan. 14-16, 1957 (Chicago, Ill.)
American Bankers Association 9th National Credit Conference.

Jan. 18, 1957 (Baltimore, Md.)
Baltimore Security Traders Association 22nd Annual Mid-Winter Dinner at the Southern Hotel.

Mar. 18-20, 1957 (Chicago, Ill.)
American Bankers Association 11th National Instalment Credit Conference.

April 21-23, 1957 (Dallas, Tex.)
Texas Group of Investment Bankers Association annual meeting at the Statler Hilton Hotel.

Nov. 3-6, 1957 (Hot Springs, Va.)
National Security Traders Association Annual Convention.

John R. Johnston With Smith, Barney & Co.

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, Ohio — John R. Johnston has become associated with Smith, Barney & Co. Mr. Johnston was formerly a partner in Ginther, Johnston & Co.

Otto P. Walters Joins Hill Richards & Co.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Otto P. Walters has become associated with Hill Richards & Co., 621 South Spring Street, members of the Los Angeles Stock Exchange. Mr. Walters was formerly an officer of Bateman, Eichler & Co.

Comenzo Admits

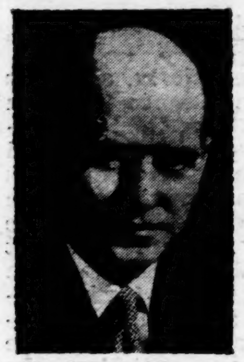
Raymond A. Comenzo on Oct. 18 became a partner in D. R. Comenzo & Co., 2 Broadway, New York City, members of the Midwest Stock Exchange.

Growth Versus Dividends In the Chemical Industry

By CHARLES ALLEN THOMAS*
President, Monsanto Chemical Company

Monsanto head describes revolutionary changes the infant chemical industry has wrought since 1930s; 1955 capacity-expansion plans involving a record $1.4 billion expenditure, and $1.6 billion in 1957; and possible future products, refuting possible view that the industry has reached its maturity and will level off. To realize such potentialities as removing salt from water, 100% plastic homes, harnessing power from floods, light and atomic energy, making soils and sand hard and impenetrable, and combining chemistry and electronics, Mr. Thomas hopes the chemical industry will generate as much capital as possible out of earnings which should make chemicals attractive for their growth rather than their dividends

Somehow even during the Gay Nineties when the great trusts were being put together, chemical manufacturing remained in the "hands of comparatively small, independent enterprisers." Even today's giants, like duPont, Union Carbide, Allied, Monsanto and Dow were yet to be listed on the New York Stock Exchange as late as January, 1920, a year which is important to our industry because it marked the beginning of a decade which saw some 500 mergers completed among chemical companies. A few combinations had been made earlier, but the roaring twenties marked the first big merger movement in our industry. Expansion, however, was characterized by a very different pattern from that of Europe where great cartels monopolized particular segments of the chemical industry. In this country, instead, the trend was toward diversification with individual companies in time becoming sort of chemical cafeterias offering everything from tank cars of chlorine to milligrams of cortisone.



Charles A. Thomas

To the uninformed this may seem illogical, and perhaps uneconomical, but to those who understand the complex personality of the chemical industry — this growth pattern makes sense. For versatility is as natural and as necessary to chemical manufacturing as the basic raw materials —coal, salt, limestone, sulfur, air, water and oil—which it uses. Because of this, it is virtually impossible for us to make only one product from a single process—instead, we nearly always wind up with an assortment of what our forbears called by-products. "It is," as the late Arthur D. Little commented, "as though a cotton mill, to make thirty-five yards of cloth, was forced also to turn out forty shoes."

Price Paid for Progress

To find uses for all of these so-called "extras" is frequently a great challenge, for unfortunately, product application ideas do not spring full-blown from our brains like Athene from Zeus' head, but are usually the result of patient and rewarding research. And this explains why the average chemical company is putting at least three per cent of its sales dollar into this item, and why our industry is reported to have spent over $360 million on what we call R and D (Research and Development) in one year according to a survey made by the National Science Foundation.

This is the price we pay for progress, as someone has said, and when we consider the results of the investment—I'd say that it has paid off—and handsomely. Consider Monsanto, for example. From 1950 through 1955 we spent a little over sixty million dollars on research and development—an expenditure which resulted in the introduction of 173 NEW products. (Incidentally, for your information, this sixty million total does not include any patent work or engineering costs—items, which I understand, some companies regularly add in when releasing figures on their research and development efforts. Consequently, it is impossible for me to compare our expenditure with those of our competitors, since nearly all of us use different accounting methods.)

But most of you realize this, I am sure, just as you are familiar with a good many of the products we have introduced over the past six years, for you investment bankers, I've noticed, are like the Egan brothers who appeared on the $64,000 Question not so long ago—you know practically everything. So instead of reviewing history, I'm going to tell you about one of our newest products, developed in cooperation with Esso Research and Engineering Company. This joint research effort, by the way, is a typical example of the way chemical companies often step across industrial boundary lines to work with other concerns on problems which are of mutual interest.

Tells of Newest Product

Trademarked Elastopar, it is the first commercially practical chemical modifier to be developed for butyl rubber. To visualize the significance of this new product, let us consider for a moment one of the newest applications for butyl—automotive tires. The reported advantages of butyl as a tire building material — softer, quieter rides, better braking, freedom from squeal, to mention a few, were developed many years ago, but incorporating these features into commercial tires brought up an obstacle which at first appeared insurmountable. Butyl developed too much heat as the tire absorbed road shock.

Eventually, it was found that the butyl polymer could be modified by chemical treatment to avoid this discouraging heat build up, but a practical means of doing this did not exist. The first method of modification required unusually high processing temperatures and long mixing times in order to be effective. It was at this point that Monsanto entered the picture to perfect a chemical which would provide all the benefits of the long heat treatment but do it during a normal mixing cycle.

The result is Elastopar, which approximately doubles the resilience and strength under strain of unmodified butyl rubber and does this in the course of conventional processing steps. This means that butyl tires with their comfort and safety advantages now can be produced with practical production techniques and their commercial availability becomes immediately possible.

The improved resilience or rubberiness of Elastopar-modified butyl is expected to hasten acceptance in a number of other areas such as hose, electrical insulation, and air springs.

In the meantime, improvements in GR-S are in the offing and each product undoubtedly will find its respective place in an enlarged market. We hope to continue to supply chemicals for both. Indeed, this is so typical of the mobility so necessary in the chemical industry, an industry which now spews out new products at the rate of one a day. Such a statement sounds Jules Verne-ish but when you recall that chemicals introduced since 1939 accounted for 20% of the Federal Reserve Board production index of chemicals and allied products in 1953 — it becomes much more understandable.

New Products Since 1930s

But even the figures don't tell the whole story. You have to remember what life was like at the end of the thirties to grasp the changes that have taken place. Shampoos came in glass containers then—there weren't any squeeze bottles; dandelions on the front lawn still had to be pulled up by hand or dug out with a hoe —2,4-D was not yet available; Dynel, Acrilan, Orlon and Dacron had not yet been spun; titanium was just a name in the textbooks; penicillin was yet to be produced commercially; and the heavy-duty synthetic detergents had still not joined the cleanup parade. All of you here, I am sure, could add other products to this list—but these are enough to suggest why chemistry is nearly as creative as Mother Nature herself.

Producing these new products is, of course, one of our fundamental goals, but it is not our only purpose in putting some of the best of our technical talent behind the laboratory bench. Another equally important aim is to improve our processes for making old favorites, in order to produce cheaper and better chemicals. That we have been successful, I think, is indicated by statistics which show that with one important exception—electric power—the wholesale price index of industrial chemicals over the past quarter century has risen less than any other major commodity group. As I have indicated, the credit for this record belongs, I think, to the research and engineering people who have been striving for decades now to perfect processes and reduce costs. Out of their efforts have come some important price reductions. Acetone, for example, which sold for 21 cents a pound in 1920 now costs eight cents a pound. Liquid chlorine now sells for a little over three cents a pound; in 1920 it cost eight cents a pound. And polystyrene, which can now be bought for a little over 27 cents a pound, cost 85 cents a pound when it was first produced commercially in the United States back in 1937. And all this in spite of inflation.

Chemical Sales

Facts like these help to explain why the sales of the chemical industry have increased more than fivefold since 1939, reaching a record high of more than $23 billion last year, according to the government classification of our industry. Substantial though this figure is, it does not represent the total sales of our industry which, in a sense, is like a giant centipede with a foot in a great many industries not included under the standard industrial classification. For instance, it does not include the chemical sales of the oil companies nor the resins sales of the rubber companies, nor the sales of some of the less common metals, such as titanium or zirconium, which are produced through chemical processes, but in many instances, by companies not in the chemical industry. (The Crane Company's production of titanium is an example.) If all of these were added into the chemical industry's sales, I suspect that the figure of $23 billion would be substantially increased.

Actually, each day it becomes more and more evident that "a chemical process is involved to one extent or another in all manufacturing operations that are not limited strictly to mechanical fabrication."

Adding to the difficulties of defining our industry with precision is the fact that it is in a constant state of transformation. For example, a steamship company is now an important chemical producer; a chemical company currently is a major metal producer; many of the oil companies are in the chemical business and last

Continued on page 49

*From a talk by Mr. Thomas before the New York Group of Investment Bankers Association of America, New York City, Oct. 17, 1956.

A Banker Views Money Market And Consumer Debt Structure

By ELMER E. SCHMUS*

Vice-President and Cashier, The First National Bank of Chicago

Leading banker sees high business level continuing through next two quarters; does not contemplate a change in Federal Reserve's credit restraint policy; and does not rule out a further increase in interest rates. Mr. Schmus supports policy preventing inflationary excesses and suggests, however, Reserve's policy be flexible enough to enable the banking system to extend sufficient credit to care for the reasonable seasonable requirements of business and agriculture. Notes demand is still outrunning goods-output, production expansion came from bank credit and not from savings, and warns more savings and less optimism is required to avoid further inflation.

Since the money market, or interest rates, and the availability of credit are a manifestation of business conditions generally, any meaningful appraisal of credit conditions requires a review of the general state of business. Furthermore, in order to present it in its proper perspective, and to gain some insight into the business trends of the future, an examination of the recent past is necessary. This is true because the present tends to be the product of the past, and the future the child of the present. It is within this framework that I wish to confine my remarks. Primarily, I will discuss current demands upon the supply of credit and its resulting price—the interest rate.

Elmer E. Schmus

The past 20 months have been characterized by a strong rise in business activity to its present record level. This activity has been caused by a vigorous demand from consumers, record expenditures by business for new plant, equipment and inventories, and sustained Federal, state and local government spending. During the last few months, the continued expansion of demand and the consequent pressure on the nation's productive resources have resulted in general advances in prices. This rise in prices, in my judgment, is the most disturbing element in the current scene.

Spending by Rising Consumer Income

The record expenditures by consumers, which constitute roughly 65% of the aggregate output of our productive plant, reflect a rise in consumer income, as a result of record employment and higher wage rates. Consumer spending power also has been augmented by a liberal use of credit which, as you know, in the past 20 months has increased $7 billion, or about 23%.

Reflecting the continued and growing optimism of businessmen and the record consumer demand, outlays for new plant and equipment, which absorb 15% of the national product, have risen sharply. It is estimated that this year the record outlays of 1955 will be exceeded by nearly 30%.

In contrast to the consumer and business spending, total government purchases, which average 20% of total national production, have been stable. A moderate decline, until recently, in Federal expenditures has been offset by an increase in state and local government expenditures.

As a result of the aggregate demands of these three main segments of our economy, the total output of goods and services of the nation has soared to a record high. This year it appears that national production, which measures the market value of the total output of the nation's factories, farms, mines and services establishments will again exceed any previous year. While production in a few areas of the economy is down, the record business expenditures have more than offset the weak spots in the economy.

Dissipation Via Rising Prices

However, in marked contrast to the last three years when total production was also rising, part of the increase in expenditures this year is represented by higher prices, rather than increased physical volume. This means that a portion of consumer buying power has been dissipated on rising prices.

Because output and consumption have risen to new high levels, the demand for funds by business and consumers during the past 20 months has been unprecedented. As a result, loans of all commercial banks have increased $17¾ billion, an increase of about 25% since the beginning of 1955. In other words, for every $4 business has borrowed from banks in January 1955, they now owe the banks $5.

In addition to this large increase in bank loans, the money market during this period has been called upon to supply a record $15 billion to corporations. Mortgage demands also have been heavy with residential mortgage debt outstanding reaching a staggering $94.2 billion at the end of June, 1956. State and local governments have displayed a seemingly insatiable demand for funds to finance schools, toll roads and other municipal improvements to meet the needs of a growing and shifting population.

As a result of these developments, the demand for money has grown faster than the available supply. Throughout this period of high business activity, money has been scarce. Both the banking system and nonbank lenders, such as the insurance companies, have found it increasingly difficult to meet the credit demands of their customers. Since available business and individual savings have been insufficient to fulfill all the demands for capital funds, the commercial banks also have been called upon to help fill the gap. This is to say that banks have been asked for financing that normally is accomplished through the security markets.

The inevitable result has been higher interest rates.

Federal Reserve Policy

It is in this connection that the policies of the Federal Reserve System assume paramount importance because their monetary policy is a *reflection* of economic trends, not a *determinant* of those trends. The monetary authorities, like most bankers, believe that commercial bank credit should be used primarily for short-term financing, such as carrying inventories and the movements of crops.

The Federal Reserve Board, guided by economic considerations affecting the good of the whole nation, has viewed with great concern the booming economy and the inflationary possibilities of the rapid expansion in bank loans. As a consequence, the Board has followed a policy of effectively limiting the credit expansion capacity of the banking system.

It should be emphasized, at this point, that while Federal Reserve monetary policy has been directed toward avoiding credit excesses, the monetary authorities have been careful to supply adequate credit for orderly growth.

Confronted with a growing demand for bank credit and restrictive monetary policies, the banks of the nation have been obliged to redistribute their assets. They have accomplished this by selling a portion of their government bonds, which provided them with funds to meet the steady and growing demand of their borrowing customers. Bonds investments of commercial banks have declined $12 billion in the last 20 months, or about 18%. However, in spite of this liquidation of government bonds, the demand for bank loans exceeded this supply and the banks have been obliged to borrow heavily from the Federal Reserve Banks. Such daily borrowings so far in 1956 have averaged about $750 million.

Free Money Market Acts

This heavy selling of government bonds and the large demand for bank loans and long-term funds caused interest rates and bond yields to rise, with bond prices declining substantially. More specifically, the commercial bank "prime rate" has increased four times starting from 3% in January, 1955, to the recent increase in August this year to 4%. The yields on 90-day Treasury bills have hovered near their highest levels since March, 1933, and short-term commercial paper rates are substantially above the yields on long-term government bonds. Thus, the mechanism of a free money market has tended to equate the supply and demand for bank credit, and the cost of credit—the rate of interest—has increased as demand pressed upon the existing supply of funds.

Now what about the future? To determine the near-term outlook for interest rates, we must first take a cursory glance at business expectations for the next few months. The general consensus is that the consumer spending outlook is an optimistic one. While consumers currently are spending somewhat less on automobiles and other durables, they are increasing their expenditures on services. Employment is at record levels, wages are up, and consumers generally view their financial situation favorably and are optimistic as to continued high income.

The second important area of spending, purchases of goods and services by all levels of government is on the rise. Budget estimates indicate an increase in Federal expenditures of about $2¾ billion over last year. Meanwhile, state and local government outlays are running about $2 billion ahead of last year. Total government expenditures, therefore, should be at an annual rate of about $4 to $5 billion higher in the coming months.

The third main sector of our economy, the business sector, is setting new records, as we have seen, for new plant and equipment expenditures. In addition, while business inventories have not increased this year at as fast a rate as last, they are nevertheless at record high levels.

Strong Business Activity Continuing

To summarize briefly, all signs point to a continuance through the next two quarters of the present strong demand for goods and a resulting high level of business activity. As a matter of fact, since the steel strike ended, a new wave of optimism seems to have swept the country. We must keep in mind, however, that if further inflation is to be avoided, it is production and savings that are needed, not more optimism. In other words, the output of goods would have to be increased, and the funds for expansion of productive facilities must come chiefly from savings, not from an unrestrained increase in commercial bank credit.

If the present demand for goods and services continues to grow as expected, an increase in physical units of output is not likely. First, the labor force of the nation is virtually fully employed. Second, despite substantial additions to our productive plant in recent years and the resulting increase in productive capacity, demand is still outrunning the output of goods. Consequently, part of the increase in the various economic indicators is reflecting a rise in prices. As demand presses upon the resources of the nation, with little or no increase in physical output, any additional increase in expenditures tends to result in a rise in prices.

No Federal Reserve Change

Under these circumstances, a change in the Federal Reserve's present policy of credit restraint is unlikely. With inflationary pressures predominant in the economy today, a tight monetary policy is both wise and proper, in my judgment. I hasten to add, however, that such a policy should be flexible enough to enable the banking system to extend sufficient credit to care for the reasonable seasonable requirements of business and agriculture.

Since we are now entering the period when seasonable increases in credit demand are most pronounced, a further increase in interest rates should not be ruled out.

Many businessmen are in honest disagreement with current tight money policies. They conscientiously believe further credit restraint not only could hamper business growth, but possibly could trigger a recession. Despite the unpopularity of credit restraint, to press demands now, to exploit a situation with inflationary excesses, will bring only unsustainable, short-lived rewards. What gains seemingly are achieved will quickly disappear as prices continue to rise and the costs of inflation are tallied.

The various sectors of our society—management, labor, consumers, government—should be

*An address by Mr. Schmus before the 42nd Annual Convention, National Consumer Finance Association, Miami Beach, Fla., Oct. 2, 1956.

urged to temper their demands upon the economy. Businessmen constantly should keep in mind that there is always the threat of selective credit controls. Lenders, too, might well budget the credit they have available to borrowers that meet the highest standard of credit worthiness.

Finally, if our confidence is tempered by judgment and our ambition by character, we can be hopeful of avoiding further depreciation in the buying power of our money.

Consumer Credit Survey

As you know, the President's Council of Economic Advisers requested the Board of Governors of the Federal Reserve System to undertake a broad investigation of present conditions in the field of consumer credit with a view to determining whether or not stand-by controls are necessary or desirable. The Federal Reserve Board is now in process of tabulating the results of a recent survey of consumer credit conducted in some five parts. Judging from the activity of some agencies making the survey, an important aspect of this study is the recent trend of credit terms.

It has heretofore been my belief that members of the Board have not been too much concerned about the amount of, or increase in, instalment credit outstandings but rather with the breakdown of terms which occurred with the introduction of the 1955 automobiles. If there is some concern about the total of consumer credit or the total of instalment credit, I think there is little basis for such concern.

At Dec. 31, 1954, total consumer credit was the equivalent of 11.84% of disposable personal income while instalment credit only was equal to 8.83%. At June 30, 1956, total consumer credit had increased to 13.02% of disposable personal income and instalment credit only had increased to 10.14% of disposable personal income.

Certainly the increase in instalment credit is not a significant trend nor should the total of instalment credit in relation to disposable personal income in our present economic climate give cause for concern.

The Survey Research Center at the University of Michigan in their report of debt distribution among economic classes in 1935, show that:

57% of American families had no consumer debt at all (consumer debt is defined as all personal debt except business debt, mortgage debt and charge accounts);

15% of the families used less than 10% of disposable income for debt payments;

16% used between 10 and 19%;

12% used more than 20% based on 1954 disposable income.

Of the 43% of families who had debt, the figures indicate a concentration in the middle-income group earning from $3,000 to $7,500 per year, which comprises 27,100,000 families, or 53.7% of the United States total.

Instalment Credit Is Sound

The American people have demonstrated over a period of many years sound judgment in undertaking and discharging their credit obligations. The American people have not abused this privilege of instalment credit, for there is conclusive evidence that better than 95% of instalment sales and credits are paid in accordance with the terms of the contract. The records over the years prove that instalment credit has been wisely administered, with almost no regulated pressure other than the very simple but effective one of competition. The excellent record of the industry, coupled with the record of conservative buying habits of the American people during different phases of business cycles, is conclusive evidence there is no need for the regulation of consumer instalment credit.

At the inception of Regulation W, consumer instalment loans for provident or remedial purposes certainly were not types of credit to be manipulated or controlled to produce any measureable benefits in terms of defense objectives. None the less, the consumer finance industry became subject to Regulation W and it is possible that if Regulation W were reimposed or stand-by controls granted your industry might again come under Federal credit controls. Regulation of your industry except for such regulation sponsored by you under various state statutes, is not desirable and is unnecessary. The few regulative measures that have been applied to your field had other objectives than influencing the quantity and quality of credit extended or outstanding during different phases of business cycles.

For a good many years I have watched with interest the activities of your association. You have done a good job in public relations. You have, through your association, developed cooperative relations among yourselves to a marked degree, partly by reason that joint effort is desirable because you operate under special state statutes. On the other hand, there is strong competition among you which naturally creates differences, but even so when necessary, you show a spirit of remarkable cooperation in protecting the proper interests of your business. The contribution of your association to the finance industry has been most beneficial not only to the loan business but to other branches of the industry as well. As individual companies, you have firmly cemented a sound relationship of confidence with your banks and insurance companies as creditors and with the general public as investors in your securities. Over the years you have filled a need of the borrowing public with a know-how that has gained the confidence of your debtors. The most tangible evidence of these facts is reflected in the remarkable growth in the volume of your business. I am confident you will continue to maintain the high position you have attained in the consumer credit field.

Spear Leeds Kellogg 25th Anniversary

The New York Stock Exchange specialist firm of Spear, Leeds & Kellogg, 111 Broadway, New York City, is observing the 25th Anniversary of the firm's founding, according to an announcement made by James C. Kellogg, III, senior partner.

The firm was organized on Nov. 1, 1931 as Spear and Leeds by Harold Spear and Laurence C. Leeds, both of whom are now limited partners. Mr. Kellogg joined the company in 1945. The firm's present name was adopted in 1955.

Mr. Kellogg is Chairman of the Board of Governors of the New York Stock Exchange and is a Commissioner of the Port of New York Authority. He was formerly Vice-Chairman of the Board of Governors of the New York Stock Exchange and prior to that was a Governor.

E. D. Albert Co. Opens

E. D. Albert is engaging in a securities business from offices at 301 East 21st Street, New York City under the firm name of E. D. Albert Co.

Donald Coop Opens

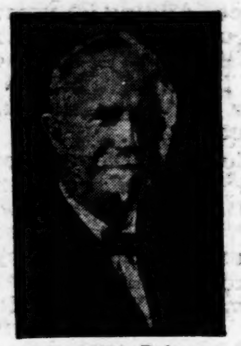
LAS VEGAS, Nev.—Donald M. Coop is conducting a securities business from offices at 302 Bridger Street.

Do Not Hastily Give Up

By ROGER W. BABSON

Mr. Babson turns to ancient civilization and the Bible to find how long many businesses have survived as evidence with which to persuade manufacturer and merchant from hastily giving up without an expert's diagnosis. Believes next depression may stem from worries, and advises merchants to keep out of debt and advertise.

So much is published today about electronics, atomic energy, and new gadgets of all kinds that I have been investigating what businesses have survived throughout the centuries. Let this column give you my report.



Roger W. Babson

Probably the best evidence of what businesses are the oldest is to be found in ancient Egyptian Tombs of several thousand years ago. They all contain ceramic ware, jewelry, musical instruments, tapestries and pictures. Although all these arts have had their ups and downs —or cycles — they continue to exist. Religion has also been a "big business" alternating between great influence and barbaric persecution. Gold, silver, and fine architecture have represented wealth throughout history. Although the Egyptian art and music of those early days seem crude to many of us, yet modern art and jazz have now returned to it. This definite cycle has taken place several times during the past 4,000 years. In fact, the cycle is shown in the history of Egypt itself.

Three thousand years ago Egypt was the richest and most progressive nation in the world. Then a decline came which brought poverty and chaos, finally dropping that nation into the lap of Great Britain as its poorest colony. Today's newspaper headlines are now on Egypt, which appears to have 15 great nations eating out of its hand! The great wheels even of history are slowly but constantly revolving. This means we should carefully avoid using two words — "now" and "always"—in connection with an art, a profession, a business, or even a nation, or a religion.

The Bible and Economic History

However readers may disagree as to the importance of daily Bible reading, the Bible gives us an excellent review of what businesses have continued through the centuries. Bankers, lawyers, and tax collectors existed then as now. Jesus even spoke a good word for the bankers (Luke XIX) although he did not want them to carry on their business in the Temple. Fishing has also survived and much of it is being carried on in the same old-fashioned way.

When we realize that stocks and bonds were unknown several centuries ago, one wonders at their permanence; yet I forecast that some form of investment will exist. Real estate has served that purpose for thousands of years. Just now we hear much about "Shopping Centers"; but the downtown Main Street merchant who will adapt his merchandise and hours to new conditions has little to fear. The Stoa, in the world's once most beautiful shopping center which flourished 2,000 years ago at Athens, Greece, has been buried for many centuries. John D. Rockefeller is now rebuilding this as a lesson to cheer merchants who cannot now afford to change to a new "shopping center."

Merchants Must Be Progressive

During Bible days the chief musical instrument was the harp. This gradually developed into the piano. Musical instrument stores which refused to sell pianos were probably forced out of business. Yet more harps are being sold today than ever before. We once thought that kerosene would kill the candle business; that gas would kill the kerosene business; and that electricity would put gas out of business. Yet more candles, more kerosene, and more gas were sold last year than ever before.

Why do I write this column today? My reason is to prevent any manufacturer or merchant from hastily giving up without having some expert make a study of his business, prospective parking lots, and needed changes. Such a merchant should not be in a hurry to sell or give up, but it is wise for him to keep out of debt and to advertise. Then he will have very little to worry about. Sometimes I think that when the next business depression does come, it will be due to the worries of manufacturers, retailers, and especially the consumers, who are most important of all.

Hamilton Managem't Adds

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo.—Dale L. Dickson, Monte L. Roach and Mrs. Julia N. Steinberg have been added to the staff of Hamilton Management Corporation, 445 Grant Street.

Two With Western States

(Special to THE FINANCIAL CHRONICLE)

ENGLEWOOD, Colo.—George I. Hagen and Bernard J. Stromberg are now connected with Western States Management Co., 333 East Hampden.

Basic Trends in Population Marking Continued Growth

By VIRGIL D. REED*
Vice-President, J. Walter Thompson Company

The multiplicity of population growth changes and the consequences for long range marketing outlook are portrayed by J. Walter Thompson executive who estimates annual net population increase of roughly 2,900,000 per year which, when combined with income trends, ought "to convert even double-dyed economic hypochondriacs into optimists or reasonable facsimiles thereof." Mr. Reed expects war baby crop to begin to marry by 1962 and start a wave of new households and baby crop; and finds half of the population resides in 168 metropolitan areas with: four-fifths of decade's population increase, two-thirds of retail volume, and nine-tenths of wholesale volume. Sees assist from added educational and leisure time gains.

The most constant—in fact the most universal—characteristics of population is change. If the change appears to be an orderly one, marking a tendency in a given direction over a considerable period of time, we call it a trend. A trend is the marketing man's best friend and trusted guide. But within each major trend there are usually several minor ones, some complementary, some contradictory, and some neutral in their effects.

Vergil D. Reed

During this hour the hard-working stork will deliver 480 new prospective customers. By this time tomorrow his assembly line will have turned out 11,520 new prospects. His back order list is astounding. He must deliver about 4,205,000 by a year from today. Cupid isn't entirely at fault. In fact, Cupid has slowed down quite a bit since 1947 and isn't expecting to put on an extra shift until about 1961 when the war babies start marrying in large numbers. Not one of the 4,205,000 prospects ever heard of product, brand, or company—and none of them cares.

Besides Cupid and the stork, there are some other trend-makers at work. Within the next hour, the Grim Reaper will cut down 171 of your old customers. By this time tomorrow he will have "rubbed out" 4,104. By a year from today he will have removed 1,498,000 old customers. Even at that the Grim Reaper's toll has greatly lightened and continues to lighten.

Immigration adds 30 consumers an hour, 720 per day, or around 262,800 per year to your market, while you lose 3 per hour, 72 per day or 26,280 in a year as emigrants from the U. S.

Computes Population Growth Estimate

If we tote up the plus and minus scores of the five trend makers I've mentioned, our net population increase, at present rates, is 336 per hour, 8,064 per day, and roughly 2,900,000 per year. That's adding the equivalent of an Ireland, or three Costa Ricas or over five Hawaiis a year to our population!

The longer-range population trends, combined with income trends add up to a future with ought to convert even double-dyed economic hypochondriacs into optimists or reasonable facsimiles thereof. I hedge that with only one if—if management, labor and government use even a modicum of their joint intelligence, and combined effort. Population is the first element of a nation's growth and worth, provided that population has the social organization, machines, power, capital, access to raw materials, and the urge to be economically productive.

The most significant of all our population is continued growth, a reversal of the trends and expectations of the late '20's and the '30's. Our population has doubled in the last half century in spite of the "lean" rates of that period. From a low of 16.6 births per thousand of population in 1933 we reached the highest peak in 25 years with a birth rate of 27.0 in 1947. This high rate was the result of military demobilization. The rate at midyear 1956 was 23.8. Decreasing death rates over the same period have made a substantial contribution to our growth. Immigration over the past seven years has added an annual average of about 220,000 to our members.

Since 1950 our population has increased by 17,627,000, the equivalent of six Irelands or more than a Canada. We passed the 168,000,000 mark in June of this year. Between now and 1965 there will be a Thailand or a Canada plus a Denmark added. By 1975 there will be 220,800,000 of us, an increase of 31.2% over 1956.

Far more couples today are having second, third, fourth and fifth children. The family pattern is definitely changing. Comparatively new small houses are bursting at the seams.

War Baby Crop to Marry Commencing 1962

Marriages were the highest in our history in 1946 when they numbered 2,291,045. Our marriage rate has declined from 16.4 per thousand of population in 1946 to 9.0 this year, but there will still be over a million and a half marriages in 1956. Of our population over 14 years of age, 69% are married as compared to 60% in 1940 and 53% in 1890. Marriages will show little or no increase between now and 1961 or 1962 due to the low birth rates of the '30's. By 1962, the abnormally large "war baby crop" will begin to marry and stablish homes in large numbers. Our market in the '60's will grow at a more rapid pace.

The number of new households established each year is now going down slightly also, due to the low birth rate of the '30's, and will continue to decline a little until about 1960, then increase greatly. Today (September 1956) there are approximately 49,300,000 households, an increase of almost a million over a year ago. New households, most of them in the suburbs and smaller cities, will mean increased demand for many goods and services. Beginning with the '60's, the increase should be a market gold mine, with the marriages and new households of the "war baby crop. Households, not individuals, are customers for most types of consumer goods.

Even the Grim Reaper is on our team. We have added over 31 years to our male and over 36 years to our female life span since 1850. A white boy born in 1960 will have a life expectancy of 69.6 years. His sisters expectancy will be 77 years. That increased life expectancy and decreasing mortality rates add greatly to the richness of our market is an obvious, but often overlooked, fact. Adding 30 years to the time a customer buys, with higher purchasing power in the mature years, is better than was adding a new customer in our grandfathers market.

The population over 65 years of age increased a third between 1930 and 1940 and another third between 1940 and 1950. Those over 65 will number 15,800,000 by 1960 and make up 9.2% of our population compared to 2.9% in 1870. There are today about 21,330,000 people over 60 years of age. These elders are a far better market than those of previous generations.

The two fastest growing segments of our market are at the opposite ends of the age range and will long continue there. In 1955 there were 64% more children under 10 years of age than in 1940, but there were also 53% more elders over 60. In the five year period 1950-55, the number of children under 15 years increased by 8,000,000 and accounted for three-fifths of the total population increase. The population 15 to 29 years of age declined by a million.

The proportion of our population on farms has decreased from 95% of our birth as a nation to 13.3% today. The trend from the farm will continue indefinitely. About 22,257,000 people now live on farms compared to over 25,000,000 or 16.6% of the population in 1950. Mechanization, electrification, better fertilizers, better seeds, better feeds and better methods have vastly increased the productivity and purchasing power of farmers. This increase in purchasing power far more than offsets the numerical shrinkage in farmers.

America is going suburban, and rapidly. This trend has been quite marked since 1920. Cities of all sizes are suburbanizing.

Population Increase in 168 Areas

More than half the nation's population now lives in 168 metropolitan areas which include only 275 or 9.1% of the total counties in the country. Within their boundaries lie: (1) four-fifths of our total population increase of the last decade; (2) almost two-thirds of total retail volume; (3) about nine-tenths of our national wholesale volume.

A look at what is happening inside these metropolitan areas is particularly significant. While the central cities as a group increased their population by 13.9% the "remainder of the areas" (the suburbs roughly) increased 35.5% in the 1940-1950 decade. Nearly half our total increase in population during that decade was in these suburban areas. During the past several years, this trend to the suburbs has been at a much faster pace. For instance, between 1950 and 1955 the population of the metropolitan areas increased roughly 11,500,000. Of that increase, 9,600,000 were in the suburbs. During the same five years our total population outside the metropolitan areas increased only 300,000. In other words, 97% of the total population increase for the five years was in the metropolitan areas. In the corporate cities of the areas, population increased only 4% while it increased 28% in the suburbs.

Far over half of the new homes built in the nation since the war have been built in the suburbs of those 168 metropolitan areas. The middle income families, and particularly the younger ones with children, are heading for the suburbs. Their incomes exceed the national average considerably. Home ownership among them is particularly high.

Five Different Kinds of Migration

Americans literally live on wheels. A year from today about 31,000,000 people will be living in a different house. Of these, over 20,000,000 will move to another house in the same county. Over 5,000,000 will move to another county in the same state. Over 5,000,000 will move to another state. Losses and gains of population are very unevenly distributed and require constant study. Prospects and customers can't be reached where they were but only where they are.

There are at least five different kinds of migration at work. They are: (1) The decided movement toward the West and the South; (2) a strong and accellerating decentralization movement from the cities to the suburbs; (3) migration of farm population to the cities—then apparently from the cities to the suburbs; (4) immigration toward the sea coasts and "recreation" areas; and "treasure hunt migration"—better jobs or opportunities are lodestones which many against or across one or more of the four strong and definite currents already mentioned.

One third of our population at the last Census was born outside the state in which they were living in 1950, but only 2 out of 9 of these migrants were born outside the United States. Each year during recent years about one-fifteenth of our total population moves to a different county.

Education Level and Leisure Time Gains

Our population is gaining in educational level at a very rapid pace. There are already 90% more high school graduates in our adult population than in 1940. Today approximately 7,000,000 of our people have four years or more of college education. This is two and a third times as many as in 1940. Roughly as many more have from one to three years in college. Both the numbers and the proportions with higher education will continue to increase. Our cultural, as well as our material, standard of living is increasing.

There's far more leisure time for both farm and factory workers. In fact, our average workman has over 1,000 hours more leisure time per year than his grandfather had. This will increase by another 200 hours by 1965.

This rapidly increasing leisure is well nigh a revolutionary marketing force as well as a source of many social problems. It will affect advertising as well as art; education as well as eating; farming as well as fashion; medicine as well as music; transportation as well as television. Those who sell goods and services will have to compete for their share of this leisure as well as their share of the consumer dollar. Added leisure and added income both mean a wider range of consumer choice.

*Mr. Reed's summary of his address before the National Industrial Conference Board's 4th Market Conference, New York City.

NEWS ABOUT BANKS AND BANKERS

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED
CAPITALIZATIONS

Leo D. Welch, Vice-President and Director of Standard Oil Company (New Jersey), was appointed a Director of **The First National City Bank of New York** at the regular meeting of the bank's board of directors on Oct. 30. In joining First National City's board, Mr. Welch re-establishes a business relationship which started with his graduation from the University of Rochester in 1919. Entering the bank with the college training class he subsequently spent 25 yrs. in the Overseas Division in Argentina, Chile and at head office. Mr. Welch's original assignment was with the bank's Buenos Aires branch. Later he was transferred to Chile where he was successively Manager and Supervisor until 1934 when he returned to Buenos Aires as Supervisor of the River Plate branches. In 1943 he became a Vice-President at head office in charge of the bank's Caribbean operations. He resigned from the bank in 1944 to become Treasurer of Standard Oil Company (New Jersey) where he has been a Director since 1953 and Vice-President since Sept. 7, 1956. Mr. Welch is a former Director of the Central Banks of Argentina and Chile, former President and Director of the American Chamber of Commerce in Buenos Aires and President of the Argentine Trade Corporation.

Leo D. Welch

* * *

The recent election of Arthur B. Goetze, President of Western Electric Company as a member of the Advisory Committee of the Board of Directors of **Chemical Corn Exchange Bank, of New York** was announced as of Oct. 8 by Harold H. Helm, Chairman. In addition to being a director of Western Electric, Mr. Goetze serves on the boards of Sandia Corp., Bell Telephone Laboratories, Nassau Smelting and Refining Co., Teletype Corp. and Northern Electric Co., Ltd. of Canada.

* * *

William Curtis has been appointed Assistant Secretary of the **Chemical Corn Exchange Bank, of New York**, it was announced on Oct. 26 by Harold H. Helm, Chairman. Mr. Curtis is affiliated with the bank's Mortgage Loan Department at its 30 Broad Street Office.

* * *

Construction, in New York, of the new **Chase Manhattan Bank** building and plaza in the financial district will begin early in 1957, it was made known in an announcement released Oct. 30. A contract for the structural steel for the project has been awarded to the Bethlehem Steel Co. by the Turner Construction Co. The contract for the foundation work will be awarded during the next 60 days. The bank's announcement followed approval by the New York City Board of Estimate on Oct. 25, of the proposal to enable the bank to include a portion of Cedar Street in its project. The bank's plans call for a plaza covering most of the two blocks between Liberty and Pine and Nassau and William Streets, an area which includes a block of Cedar Street. In return for the use of this portion of Cedar Street, the bank ceded to the city strips of land on the four streets surrounding the project with a total area equivalent to the Cedar Street area. These strips will be used to widen the four streets.

In making the announcement, John J. McCloy, Chairman of The Chase Manhattan Bank, said: "The approval opens the door to important improvements in downtown Manhattan." He added that "this progressive step was made possible by the co-operation of Mayor Wagner, Manhattan Borough President Hulan Jack, Commissioner Robert Moses, and the other city officials who have given the matter their close study."

The Chase Manhattan project, details of which were announced last spring, includes a 60-story rectangular tower set on the 2½-acre open plaza. The tower will have a modern metal and glass facade, featuring external columns rising the full 810-foot height of the building. Skidmore, Owings & Merrill are architects of the project. It is expected that the new building will be ready for occupancy late in 1959.

* * *

The board of directors of **Sterling National Bank & Trust Company of New York**, at a meeting on Oct. 25, authorized the transfer of $1,000,000 to surplus, increasing the bank's surplus from $7,500,000 to $8,500,000, thus giving the bank a legal loaning limit of $1,000,000. The board also passed resolutions requesting the approval of the Comptroller of the Currency of a plan which will increase the capital of the bank from $1,500,000 to $4,500,000, to change the par value of its stock from $25 per share to $15 per share, and, by means of a stock dividend and a stock split, to increase its 60,000 shares to 300,000 shares. Upon consummation of the plan the capital of the bank will be $4,500,000 and its surplus $5,500,000. After the bank has effected its recapitalization its stock will consist of 300,000 shares of the par value of $15 per share. It is the present intention of the directors to begin the payment of regular quarterly dividends in 1957, the first dividend to be paid April 1, 1957, in the amount of 40c per share on the 300,000 shares of capital stock then to be outstanding. A special meeting of stockholders will be held at an early date to act upon the foregoing plan.

* * *

Following a meeting of the Board of Directors of **The New York Trust Company** of 100 Broadway, **New York**, held Oct. 30, Adrian M. Massie, Chairman of the Board, and Hulbert S. Aldrich, President, announced the appointment of George E. Brewer as Assistant Vice-President in the Personnel Division. Mr. Brewer was formerly with the General Telephone System where he was Director of Industrial Relations.

* * *

The New York Trust Company has announced the signing of a contract with Hegeman-Harris Co., general contractors, to execute the alteration involving nine floors at 100 Broadway of the Trust Company's present office space. This office space in excess of 100,000 square feet, in accordance with plans and specifications prepared by the Kenneth H. Ripnen Co., and the firm of Edward E. Ashley, will be modernized to include up-to-date office facilities, at an estimated cost in excess of $1 million. Partition and desk flexibility is planned on a modular basis with proper traffic flow in accordance with architectural office layout standards. In private offices and conference rooms, wood paneling will be installed—all with a view toward comfort, efficiency and economy for the executives and general office personnel. Concurrent with The New York Trust renovation project, the American Surety Company landlord of 100 Broadway, is making modifications in the building to include two new high speed automatic elevators to service the first to the 12th floors and the modernization of the remaining eight elevators. Modern air conditioning and ventilating facilities will also be installed.

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The New York Agency of The Toronto-Dominion Bank (Canada) announced on Oct. 29 the removal of its offices to temporary quarters at 28 Broadway, pending the erection of modern office quarters at 45 Wall Street.

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The Board of Trustees of **Kings County Trust Company of Brooklyn, N. Y.**, has authorized payment of a 10% stock diivdend on the present outstanding stock of the company, subject to the approval of the stockholders at the Annual Meeting to be held on Jan. 14 1957, and subject to the approval of the Superintendent of Banks of the State of New York.

* * *

Ceremonies marking the change of name of the **Springfield Gardens National Bank to the Queens National Bank of New York** were held Oct. 31 at the bank's Main Office, 216-02 Merrick Boulevard, **Springfield Gardens, L. I., N. Y.** William B. Jones, President of the bank, was presented with a reproduction of the first check of the newly named bank by John W. McCabe, Executive Vice-President. He in turn gave Mr. McCabe the last check bearing the bank's original name. The bank which has four offices in Queens County, was chartered as the Springfield Gardens National Bank of New York in 1927 and now reports resources close to $18,000,000 and deposits totalling $16,000,000. The change in the bank's name was made known by the Comptroller of the Currency at Washington on Oct. 16.

* * *

The capital of the **Valley Stream National Bank & Trust Company, of Valley Stream, Long Island, N. Y.** was increased on Oct. 19 from $693,000 to $762,300 by the sale of new stock to the amount of $69,300.

A. W. Moore Mgr. Of Rothschild Branch

BOSTON, Mass. — Albert W. Moore has been made Manager of the new and enlarged Boston office of L. F. Rothschild & Co., members of the New York Stock Exchange, at 111 Devonshire Street. Mr. Moore has been associated with the firm for many years at its former office at 30 State Street. Henry J. Dietrich is resident partner of the Boston office.

Inflating the Boom An Invitation to Disaster

Guaranty Trust Co. "Survey," taking cognizance of the current demand of the "interventionists" for a reversal of the Federal Reserve's policy of monetary restraint, holds that acceptance of the economic philosophy of the advocates of "a never-ending business boom of predetermined proportions" constitutes an invitation to disaster.

The November issue of Guaranty Trust Co.'s "Survey" adds up a picture of an economy straining its sources of supply and depicts the factors which have led the Federal Reserve to refrain from pouring additional funds into the money market, a step that would only intensify the already super-abundant demand for goods and services and thus push prices still higher. Seldom has there been a time when the general economic situation seemed less in need of stimulants or more in need of sensible restraint. Yet, the Guaranty Trust Company's monthly publication points out, "the cry for government intervention to sustain the volume of business has become a familiar feature of the American economic scene in recent years. The first sign of a slackening of activity, or even an unprovable suspicion that a slackening might occur, has been enough to bring forth a demand in some quarters for politically administered stimulants.

"Now a new and stronger note has been added. The more enthusiatic interventionists are recommending broad governmental action on the economic front, not because business is contracting or threatening to contract, but merely because it is not expanding faster. Boom conditions, with demand straining hard against supply in most basic lines and with inflationary pressures threatening to gain the ascendancy, are not enough. There must be more purchasing power, more spending, more pressure of demand."

"What the interventionists are now proposing," the "Survey" adds, "is to re-apply the constant inflationary pressure which heavy Federal spending and artificially easy money exerted on the economy during the early postwar years. The purpose is to create more demand at a time when demand is already taxing the productive capacity of the economy, on the naive assumption that the additional demand would automatically create an arbitrarily predetermined and totally unrealistic condition of 'full production' and 'full prosperity.'

"A much more probable result of such a policy would be 'full inflation.' If the assumption of 'full production' is naive, even more so is the belief that this happy state would produce additional Federal revenue promptly enough and in sufficient amounts to prevent inflationary effects on prices. At a time like the present, what rational ground can there be for supposing that an arbitrary increase in the money supply would affect production before it affected the price level?

"A governmental policy designed to soften the impact of the occasional readjustments through which business must pass is full of practical risks, but at least it has some measure of theoretical justification. A policy based on the illusion that a never-ending business boom of predetermined proportions can be maintained by inflationary devices that stimulate without inflating is an invitation to disaster."

Re-Defining American Liberalism And Real Risks of Enterprise

By MERRYLE STANLEY RUKEYSER*
Business Consultant Columnist, International News Service

Depicting a choice between affable labor relations and dollar of stable purchasing power, and a choice between political statesmanship and an illusion of well being through inflation, business analyst Rukeyser calls attention to an apparent leak in our economic dikes which creates an illusion we can annually absorb wage increases "at a more rapid tempo than improvement in productivity." Suggests conference on cost determination would be preferable procedure to collective bargaining; and belabors freedom-of-risk promises in an economy dependent upon obsolescence-replacement for increased employment and volume, and degree of creative judgment entailed.

The United States competitive system, which throws off the highest living standards that the world has ever achieved is no riskless adventure. Free enterprise, which gives incentives for work well done, is no free pass for loafers and bunglers. It is a disservice to those who are ill fitted to their chosen work to freeze them to a dead end street, rather than encourage them to seek retraining in order to find a more successful and satisfying career.

Merryle S. Rukeyser

The British Fabian Socialists and their adherents blundered in freezing Welsh miners through the dole to a receding industry, instead of encouraging some to move to more promising growing trades in the electronics and chemical field or to migrate to the underpopulated associated commonwealths.

Irredeemable Promises

The tragedy behind demagoguery is that it panders to mediocrity, whereas progress depends on creative thinking by uncommon men. The curse of the "welfare state" is that it blinds men to risk inherent in contemporary living by spreading palaver about "cradle to the grave security." The irredeemable promises from the stump about glamorous handouts is destructive to the spirit of thrift and industry, on which progress depends.

Liberalism must be reinterested in terms of individual freedom of choice in the selection of goods and services, vocations, and ideas. Excessive paternalism saps energies at a time when optimum national strength is desirable in order to assure survival in competitive co-existence with militant Communism.

Instead of political loose talk, it would be timely to point out the danger of being overextended through abuse of credit. Sustainable national growth and progress must be predicated on loyalty to prudent operating procedures. Society should not be robbed of the beneficial ministrations of the management function by forcing the hand of industry through pressure groups or unwarranted governmental interference.

Obsolescence, Instability and Growth

America's future is increasingly dependent on creative management ideas, rather than on physical resources or on the need to meet any visible shortages. Obsolescence, or the rejection of outmoded things, for newer and better ones has become, to an increasing degree, the key to volume, on which high level employment and business profits depend. And there is a threat of instability in dependence on the obsolescence factor rather than on physical shortages, since in interludes of doubt, maladjustment, and strain the public can temporarily disobey the law of obsolescence, thus cutting down volume.

During the psychosis of the election campaign, there is bipartisan competitive effort to convince us that our personal fortunes depend on the outcome of the balloting. At best competent government can preserve the peace and conduct collective affairs efficiently, thus creating a setting in which 66,000,000 gainfully occupied persons can exercise their initiative, their ingenuity, their energy and their creative talents to heighten the output of material and spiritual goods. This is far different than the illusion that politicians can magically substitute their own formula for the energies of the people.

The great statesman should have the candor to avoid the temptation to promise a nation freedom from risk while he is in office. On the contrary, he should strive to create the image that a competent manager of public affairs is prepared to deal courageously with the impact of coming events. It takes fortitude to meet issues, and this is the very reverse of the demagogic temptation to imply that people can escape the hazards of a changing world by entrusting their affairs to Joe Doaks.

In corporate affairs too, the chief executive invites outside raiders if he permits uncritical press agents to gild the lily in portraying his own character traits. Instead of implying that owners can avoid even the legitimate risks of enterprise by having a wonder worker as president, the top executive should reinterpret himself as a person who, in the spirit of trusteeship, assumes responsibility for managing the assets of others. The trustee is expected to be prudent and competent, but is not expected to remove from ownership the risks inherent in making present decisions about future trends. If humanized, the chief executive will appear to share owners as a warm personality, and this attitude should in the long run elicit greater stockholder loyalty than puffery does.

The Wrongs of Inflation and A Leak in the Dikes

Inflation is, of course, a cheap political device for concealing from the governed the extent of the extravagance of officeholders. It is looked upon as an alternative to onerous taxation, but, if properly understood, inflation is itself a vicious, though subtle, form of taxation. In reducing the purchasing power of money, the incidence of inflation falls in a somewhat deferred time table on beneficiaries of life insurance, on savers, and on owners of government bonds and other high grade fixed maturity obligations. Inflation is especially destructive taxation since, like a capital levy, it confiscates a share of the capital resources of the thrifty. In addition to the damage of those directly involved, it impairs long-term confidence in investment, and retards the use of creative imagination to augment the supply of labor-aiding tools of production (capital goods).

Under the first Eisenhower Administration, a strong effort has been made to arrest inflation through use of conventional remedies, such as a balanced Federal budget and a willingness to face the immediate inconvenience of sharply rising interest rates. For a time, steadiness in the cost of living index was attained, but the stability was somewhat illusory since rising industrial prices until last December were offset by falling farm quotations. In the recovery of farm prices this year—a highly desirable development—the offset has ceased to operate, and in recent months the cost of living index has again been soaring.

Apparently there is a leak in the economic dikes. The leak, it seems to me, inheres in the popular illusion that the national economy can absorb an annual round of increases in money wage rates at a more rapid tempo than improvement in productivity. Thus the cost sheet of industry has been wrested from the analytical judgment of management and been placed in the arena of power politics commonly known as "collective bargaining." Under existing conditions, labor union leaders have a clear mandate to do the best they can for their members, but they need analytical economic counsel. The optimum increase is one that can be absorbed in improved techniques and better methods without any nullifying resultant rise in the cost of things workers buy.

Neither Party Gets Down to Brass Tacks

Few have the candor to carry economic analysis and appraisal into this hotbed of emotionalism. Instead of dealing dispassionately with this pivotal cause of potential inflation, one major party, looking back to 1947 and 1948, promises to repeal the Taft Hartley Act, and the other offers to amend the Taft Hartley Act. There is, of course, no controversy over the desirability of amending the Taft Hartley Act. The late Senator Taft himself, with customary intellectual honesty, proposed a whole series of collective amendments. The country was denied this betterment because his political opponents, crying for repeal, wanted all or nothing.

But neither side, during this national bidding for popularity as expressed in votes, gets down to brass tacks. Congress, in the present legislation, following the pattern of the Wagner Act which it supplanted, gives to outside associations—labor unions—important power to establish the trend in the cost sheet of business corporations. If this division of authority over costs, which heretofore was the recognized function of management is to be shared with others, then better criteria should be set up in the public interest. Instead of using the phrase "collective bargaining," which suggests trying to outsmart the other fellow, there should be substituted the objective of a conference on cost determination. This at least would point up the nature of the problem, though judgment should be reserved as to whether it is feasible under the private enterprise concept for management to share this responsibility with others.

An extremely liberal businessman with social vision, Charles E. Wilson, formerly Defense Mobilizer and one-time President of General Electric, told me that it should be enough under the law

Continued on page 46

*From a talk by Mr. Rukeyser before the 27th Annual Meeting of the Wisconsin State Chamber of Commerce.

The Ramparts We Watch

By HOWARD BUFFETT*
Buffett-Falk & Company, Investment Securities, Omaha, Neb.

Nebraska investment dealer directs attention to what has happened to four civilian bulwarks of freedom since 1914. Cites Kent Cooper's book, "The Right to Know" regarding continued U. S. totalitarian methods of news suppression and propaganda; details both parties' acceptance of inflation; avers choice no longer exists between free capitalism and Socialism; and finds our international political actions do not follow moral and spiritual precepts. Former Congressman Buffett refers to grass-root revolt against OPA as an illustration as to how the people, if it wants to, can help themselves.

On our military defense we are spending about 43 times as much as we were 20 years ago. Considering the reduced value of the dollar, this would indicate that our actual physical defense has multiplied perhaps 1,500%.

Howard Buffett

In view of this gigantic expansion of the military and its supporting industrial plant, a look at Napoleon's famous dictum seems in order.

Napoleon declared that in the history of struggle between nations the moral factor was as 3 to 1 over the physical. In other words the will or morale of a people was three times as important as their military power.

Possibly the hydrogen bomb and other modern weapons upset this axiom. But any change of Napoleon's dictum is yet to be proven.

Moreover the pages of history support Napoleon. Both ancient and modern history record that major nations have gone down because the moral and spiritual defenses have been neglected while the military was still strong.

Accordingly it would seem that an occasional appraisal of our non-military defenses is not only appropriate but mandatory.

With considerable diffidence this discussion attempts that task. Briefly, but dispassionately and realistically, let us examine the civilian bulwarks of American independence.

Civilian Bulwarks of American Independence

The civilian area of our defenses divides naturally into four sectors, as follows:

(1) A well-informed people.
(2) A sound financial structure.
(3) An electoral system that enables the people to chart the course of government.
(4) Fidelity to the spiritual truths on which America was built.

Concerning the first of these bulwarks of national security, a well-informed people, it would be presumptuous of me to belabor that subject.

But at the risk of covering old ground for some I want to report on conditions that seem to constitute a malignant danger to your profession, and to America itself.

In September of 1951 the then President of the United States issued an executive order establishing censorship in the various executive agencies and departments of the Federal Government.

That order, in the words of a noted editor, David Lawrence, had "phraseology as sweeping as ever used in a dictatorship . . . and was unprecedented in American history."

Many hoped that when a new Administration took office in 1953, the situation would be changed for the better. It was not. Actually, a Presidential letter dated May 17, 1954, seems to have intensified the conditions of censorship and suppression of news.

That letter, during the Army-McCarthy hearings, carries this passage:

". . . You will instruct employees of your department that in all their appearances before the sub-committee of the Senate Committee on Government Operations . . . that they are not to testify regarding intra-executive department activities . . ."

Since that affair, according to House Report 2947, page 90, at least 19 government agencies or departments have cited this letter as their grounds for refusing information to Congress.

This situation is disturbing. But more impressive are the measured conclusions of a top authority in your own profession, Kent Cooper, for a quarter of a century chief executive of the Associated Press.

Cooper has set out these judgments in a profound volume titled "The Right to Know."

In the introduction he declares:

U. S. Suppression of News Continued

"Practically all of this book was written five years ago . . . (at a time when) . . . a trend in the withholding of news was discernible. I decided to defer publication . . . to see if the government would reverse that trend.

"It has not done so. Instead in its treatment of news it is in some respects slowly pressing towards the totalitarian pattern . . ."

"Our government can more profitably accept the broader principle of the Rights to Know . . . than to continue totalitarian methods of news suppression and propaganda . . ."

On page 70 he says,

"Over here, propaganda took America into both world wars and created great fear after the second, that Communist ideology could undermine capitalistic control of the so-called free world . . . "

Continuing on page 130,

"American news propaganda . . . being planned for peacetime operation—perhaps doing its part to push the world on to the cataclysm which could end civilization . . ."

Supporting Cooper's sobering words, J. Russell, Chairman of the 1954 ASNE Committee on Freedom of Information testifies:

"At every level of American Government there is an apparent reluctance to allow the people to have the facts. . . . Governmental executives seem increasingly to mistrust the discretion and wisdom of citizens."

From these witnesses it seems fair to conclude that being well-informed is a more difficult duty today than ever before.

On this public problem no group is more strategically placed than America's editors and no others have equal competence and facilities to improve the situation. Secrecy in government cannot survive prolonged publicity, properly administered.

This task, it would seem is a

*An address by Mr. Buffett before the Interstate Editorial Association, Sioux City, Iowa, Oct. 4, 1956.

major responsibility of your profession.

Relentless Dilution of Dollar's Value

The second bulwark of our independence — a sound financial structure, finds me on more familiar ground. Since 1933 investment business decisions have had to reckon with the continuing inflation.

Lenin is reported to have said that the surest way to overturn the existing social order is to debauch the currency. Certainly he proved that claim in Russia. Likewise inflation has since been the weapon used to force many other lands from capitalism and freedom into socialism and despotism.

Will America follow this same road?

I don't know. But I do know this—for years the paramount financial fact in America has been the relentless dilution of the purchasing value of the American dollar.

I call that process the paramount financial fact. It may be more than that. It may be the decisive political influence of our time.

Consider the words of the one American who has proven himself able to cope with the Russians—General MacArthur. Speaking before the Mississippi state legislature in 1952 he warned:

"And as we continue these wastrel policies without promise or hope of regaining normalcy . . . it becomes increasingly clear that the pattern of American fiscal policy is being brought into consonance with the Karl Marx Communist theory . . . such policy . . . is leading us towards a Communist state WITH AS DREADFUL CERTAINTY AS THOUGH THE LEADERS OF THE KREMLIN THEMSELVES WERE CHARTING OUR COURSE."

Lest you think this warning is out-dated I should report to you that in correspondence with the General this year, he re-confirmed this warning.

Let us consider how inflation affects the average American. Dorothy Thompson, a competent and fearless writer, after the political conventions in August, wrote these scorching lines:

"Judging from the platforms . . . the inflationary price rise will continue but 'under control'. This means that everybody whose savings are invested in anything promising a fixed return will see them diminish towards the vanishing point—but gradually. Holders of such promises to pay, who have looked forward to an independent old age, should just not live too long."

On inflation it is difficult to be either precise or concise, because of its many facets. So let me summarize.

Condemns Both Parties on Inflation

Inflation in America, despite the current laudable tight money policy, is not under control. Moreover no credible evidence indicates that either political party has the willingness and courage to halt the deterioration of the dollar.

I say this with a sick feeling in the pit of my stomach, because I have read history. But lacking frankness, my words would have no value to you.

The third rampart of our national security is an electoral system that enables the people to chart the course of government. Without this power the people have no peaceful defense against the rise of tyranny.

For 120 years or so both parties were generally loyal to the Constitutional provisions designed to preserve the ballot-box supremacy of the people. The struggle for office during that time was largely confined to controversy over methods of preserving individual liberty.

Lip-Service Paid to the Constitution

Today we face a different situation. Both parties pay lip-service to the Constitution and individual freedom.

But what about their actions?

Both have passed legislation that shrinks the area of personal independence. Moreover, today the policies espoused by both lead inevitably to a socialist government.

Probably there should be no serious complaint about one party supporting doctrines that would march this country towards a totalitarian state. That way of life has its advantages. It simplifies daily existence. In the days of Old Testament history people frequently traded liberty for the promise of security.

The American tragedy today is that the people are being denied their God-given right to choose between free capitalism and socialism. The electoral system that enables the people to chart the course of government has been perverted.

Do I exaggerate this condition? Then listen to these authoritative voices:

Herbert Hoover at the Republican convention—"the greatest issue in America . . . is the encroachment of government to master our lives."

The Omaha "World Herald" editorializes that, so far as platforms are concerned, the American people are offered in 1956 about the same choice as a voter at "a mock election in satellite Czechoslovakia."

John S. Knight, editor of the Detroit "Free Press," and other great papers, editorializes after the conventions with understandable profanity, "And what the hell, say I, is the difference"!

I could go on, and show you how many Republican and Democratic party leaders have abandoned all their convictions in an obscene struggle to get elected. But that is not necessary.

All you need do is to listen to or read for yourself the daily clap-trap coming from both parties. As they both reject Hoover's plea for less government mastery of our lives, their compaigns are mostly noisy quibbling over details, name-calling, and bi-partisan promises of pie-in-the-sky, made on the insulting premise that we have become a nation of belly-voters.

This performance is doubly offensive because both times in the last 25 years when the people had the opportunity, 1932 and 1952, they elected candidates pledged to conservative platforms. Both times the pre-election promises were shamefully broken.

A self-governing people is a vital rampart to America's future. Yet today conservative Americans have no election vehicle to register ballot-box resistance to the political patent medicines that have bedeviled Europe for 500 years — militarism, inflation, so-

Continued on page 56

THE MARKET . . . AND YOU

By WALLACE STREETE

Israeli Jitters

A stock market rally that showed all the signs of being a pre-election celebration bumped head-on into a bad case of Israeli jitters this week. It made for one of the more hectic market episodes to end a rather long string of dreary, stalemated sessions.

* * *

News of the Israeli foray well into alien territory was taken hard in the closing minutes of the week's initial session. Only the closing bell saved it from being a resounding rout. There was little follow-through to it, however, as the conviction dawned in the Street that it was part of maneuverings being kept well under cover. The French-British decision to move into the Suez area if the Israeli penetration continued helped harden the market and, incidentally, the belief that no full-fledged war was in the offing.

* * *

Little was accomplished over-all as the list swayed with the news. It was largely a case of good individual gains being snuffed out, and, conversely, some larger losses recouped from day to day and, at times, even within a single session. The action is hardly the type calculated to indicate any lasting trend for the market generally.

* * *

The election which is now only a couple of trading sessions away continued to serve as at least a psychological roadblock, and a good share of the spare time discussion was over what specific issues would benefit most in any post-election runup on a GOP victory. Oils weren't at all prominent in such discussions since the middle east situation seems certain to keep them restrained for a bit. The gasoline price easing, now pretty much nationwide, also was a guarantee that caution would be a keynote in this division.

Post-Election Popularity Candidates

Likeliest candidates for post-election action were mostly concentrated in the steel, rail, aircraft and motor sections. Specific issues included such as National, Crucible and U. S. Steel in the ferrous division; Chesapeake & Ohio in the carriers, and the top airframe companies in the aircrafts. There was some groping among the quality rails to find fitting candidates for higher dividends since a couple of the lines have already upped their rates. The game was only slightly chilled when New York Central voted to pay in stock of U. S. Freight instead of cash.

* * *

Chemicals, which have been so prominent for so long in the market's upsurge, weren't mentioned with any frequency, both because the latest earnings statements have had a sour tinge here and there, and also in view of the fact that their yields are somewhat below-average in today's tight money market.

Drugs Popular

Drug issues, however, were popular in a good number of circles and the issues were able to show superior action when the going was good. Foreign sales have been expanding smartly and the newer drug discoveries continue to pour out, adding romance to an otherwise prosaic business. Yields aren't overly generous at present, but modest liberalization in payments is considered likely.

* * *

Abbott Laboratories with a return of around 4½% has one of the higher yields. Parke Davis and Pfizer aren't completely disreputable since their yields have been 3% or better, with extra payments generally expected to improve the figures before the year is out.

* * *

Northern Pacific continued to enjoy at least a vocal following although the issue wasn't overly prominent on urgent buying in the market. It is one of the rails with several facets to make it attractive. Its oil and timber holdings have been contributing importantly to earnings with the oil operations along being projected to a $3,000,000 profit contribution this year, which would come to nearly double the help of last year. It is also a merger candidate, currently studying a union with Great Northern with which it shares control of the Burlington line, which is more noted for its black ink than deficit operations.

Intriguing Motor Questions

Among the auto followers there was little disposition to give the so-called independents much chance of achieving anything spectacular and the biggest debate was over the comparative benefit of Chrysler over Ford, and vice versa. The new lines of both have been well received so far and both issues, unlike General Motors, have been well enough depressed marketwise to warrant sizable appreciation, if sales rebound in line with industry expectations. Chrysler, perhaps because of its greater diversification, has been able to show the more spirited market action, while Ford has been lolling around well under its year's peak and, in fact, below the price at which it was first offered to the public.

* * *

The long dormant textiles were slowly earning a better regard among market students. In fact, in a few circles they were seen as likely candidates for better post-election action along with the other more statistically satisfying groups. In part, the new favor was also a case where of all the stock groups the textiles are the least likely ever to be classed at current levels as grossly overpriced.

A Popular Textile Speculation

Among the more liked low-priced speculations was Dan River Mills which has been nudging its profit higher with fair persistence. The company recently broadened its scope considerably with the acquisition of Iselin-Jefferson, which represents independent mills in addition to its own mill subsidiary and also has a factoring subsidiary. Like a handful of other textile shares, those of Dan River sell well under book value. With its new acquisitions, the company is in position at least to double last year's sales and bolster the superior earnings record of showing improvement even when the industry generally had been sliding backward.

An Outstanding Utility

El Paso Natural Gas has been a standout in a utility group that has been able to hold relatively better than the others recently and a good part of the reason became evident when a plan of Southern California Edison was revealed to step up gas purchases sharply, including some from El Paso. The company has been active in oil production and has been stepping up its exploration work as well as its petrochemical activities. Earnings, moreover, have been jumping ahead smartly.

[The views expressed in this article do not necessarily at any time coincide with those of the "Chronicle." They are presented as those of the author only.]

With Brush Slocumb

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif. — Thomas N. Boate, Jr. has joined the staff of Brush, Slocumb & Co., Inc., 465 California Street, members of the San Francisco Stock Exchange.

John Nickerson

John Nickerson passed away at the age of 74. Mr. Nickerson prior to his retirement had been president of the John Nickerson & Co., Inc. of New York City.

Impact of Flexible Money Upon Commercial Banks

By BERYL W. SPRINKEL*

Economist, Harris Trust and Savings Bank, Chicago

Midwest bank Economist discerns in flexible money policy: a more profitable banking era; upward interest rate trend, interrupted with cyclical savings; higher-loan deposit ratios requiring reconsideration of capital-adequacy, and deposit growth rate substantially below the long term average. Dr. Sprinkel ascribes to quantity of money, *vis-a-vis* flow of goods, the major cause of price level changes, and expects Reserve policy during recessions to reverse traditional sharp decline in money and deposits. Advises commercial banks that despite record bank earnings this year the return on capital employed is below average level for most types of business units.

I

Introduction

Banks are currently in the tightest operating position they have experienced since the early 1930's. Current stringency was brought about by a sharp rise in the demand for credit accompanied by a restricted monetary policy which has resulted in a near stable trend in total deposits. Money and monetary policy, ordinarily dull subject matter for all but bankers to whom they are matters of great concern, have become topics of current discussion throughout the nation. Not only are these topics being treated extensively by the financial press but also "Time Magazine" and other general news publications have recently stressed their importance for all of us. We as bankers have a solemn obligation to try to understand the nature of current monetary developments and to explain them to others. For this reason, I am going to: (1) briefly review the nature of the present flexible monetary policy and (2) examine some of the important implications for commercial banks.

Dr. B. W. Sprinkel

II

What Is Flexible Money?

Basically, our flexible monetary policy represents the means by which the Federal Reserve System attempts to promote economic stability and growth within a general framework of stable prices. The Federal Reserve endeavors to achieve this objective by affecting the cost and availability of money. Although, essentially, the present policies have been seriously proposed by so-called "impractical theorists" for many years, it was not until 1951, following the famous "accord" between the Federal Reserve System and the Treasury Department, that these policies were attempted in this country. After considerable opposition to the substantial postwar inflation, it finally became clear that we had a choice between flexible interest rates and stable prices or pegged rates and inflation. It is impossible in a free enterprise economy to have both pegged low interest rates and stable prices. Most serious students of the economy now agree that the basic objective of monetary-fiscal policies should be to attempt to provide for high levels of employment and stable prices.

The basic cause of all major inflations has been an excess of spending relative to the flow of production of goods and services. During periods of inflationary pressures, the Federal Reserve attempts to slow the rate of spending in order to achieve a balance between spending and production flows at a stable level of prices. Under such conditions the Federal Reserve attempts to promote economic stability by limiting inflationary increases in the supply of money, thereby encouraging a tighter money market. Higher interest rates and reduced availability of money results in credit being denied to some sectors of the economy thereby tending to reduce the flow of total spending. The very essence of stabilizing action by the Fed, during periods of inflationary pressures, implies a denial of credit to potential borrowers who feel that they deserve credit and should get it. Hence, a tight monetary policy is seldom popular, especially with those whose spending plans have to be retrenched.

The basic cause of all past major deflations has been an inadequate flow of spending relative to the capacity of the economy to produce. Under such conditions, the Federal Reserve attempts to promote economic stability by encouraging private spending so as to utilize resources currently unused. The Federal Reserve carries out this policy of encouraging spending by promoting easy money, thereby stimulating an increase in the money supply and raising the liquidity of the whole economic system. Although it is admitted that easy money has severe limitations as a stimulating device during periods of severe depressions, it is quite clear that lower interest rates and increased availability of money can make a significant contribution, as was the case in the recent 1953-54 recession. There is no feeling in the Federal Reserve or among other serious students of this field that monetary policy alone can stabilize the economy, but only that it can and should make a maximum contribution to the attainment of this goal. There remains the perplexing timing problem but even here some progress has been made.

III

Some Implications of Flexible Money Policy for Banks

A flexible monetary policy tends to accentuate fluctuations in interest rates. During periods of rapidly rising business, when the demand for funds is increasing, interest rates would automatically increase if the Federal Reserve remained neutral. However, it is typical of such periods that inflationary forces begin to build up and the Fed follows policies designed to suppress these forces. Hence, the policy of tight money during such a period would have the effect of reducing the supply of bank reserves and causing interest rates to rise even further. Conversely during periods of business decline, which are typically accompanied by a reduced demand for funds, interest rates would subside automatically without Federal Reserve intervention. However, at such

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*An address by Dr. Sprinkel before the Bankers Conference of the Illinois Bankers Association.

Protecting Corporation Reserves From Slow Secular Inflation

By DR. PAUL EINZIG

Secular inflation's role in making government loans no longer suitable for corporation reserve requirements; causing Lord Beveridge—one of postwar inflation's patron saints—to complain; demolishing the case for inflation, including Pigou's creeping variation; and in adding to government's financing burden, is perused by foremost British Economist in spelling-out what happens once the public becomes aware of continuous money erosion. Dr. Einzig uncovers labor's paradoxical responsibility in creating "unearned incomes," represented by government bond yields, by their excessive wage demands.

LONDON, Eng.—Although the British price level has remained stable during the last six months, its stability does not appear to inspire much confidence among the British public which is becoming increasingly inflation-conscious. Judging by various recent statements or actions, it is a widespread belief that the present price stability is temporary, and creeping inflation is expected to resume its course.

Dr. Paul Einzig

A group of plantation companies has just decided to form an investment trust to which its holdings of Government securities will be transferred, for the purpose of their replacement by types of securities which would not lose their purchasing power through a further progress of inflation. The Chairman of the group, Sir John Hay, when announcing the decision, explained it on the basis of the need for protecting the reserves of the corporations concerned from "slow but continued erosion." The total involved is only £1½ million, but the action taken is symptomatic. It indicates the growing feeling that, amidst a secular inflation, Government loans are no longer suitable for the requirements of corporation reserves. Sir John Hay pointed out that the reserves concerned are needed for providing for replanting and the replacement of assets. Hitherto the reserves have, in accordance with tradition and long-established custom, been invested in Government loans and other first-rate fixed interest bearing securities. But inflation means that replacement costs more in money, and that money invested in fixed interest-bearing securities loses purchasing power. . . . That the reserves cease to be adequate to meet requirements.

Owing to the decision to entrust the change of the investments to a newly-formed trust company, this transaction has attracted much public attention. In a large number of instances similar changes have been made without any such publicity. The annual reports of many firms make passing reference to the increase in the relative proportion of equity holdings among their investments. Even highly conservative institutions have felt impelled to restort to such hedging against inflation.

For one thing, in recent years the prices of Government bonds have undergone very wide fluctuations, apart altogether from the depreciation of their real purchasing power as a result of inflation. The result of this was that irredeemable Government loans, or those with long redemption dates, have ceased to be considered conservative investment. But even relatively short-dated Government loans have come to be considered as unsuitable except as reserves against liabilities expressed in terms of the monetary unit, in which case the depreciation of the purchasing power of the unit does not entail any losses to the owner of the reserves.

Inflation Boomerangs on Lord Beveridge

In a recent public statement Lord Beveridge complained bitterly about the effect of inflation on his superannuation benefit granted in 1945 by University College, Oxford. His complaint gave rise to some sarcastic comments from quarters where he is considered to be one of the patron-saints of inflation. Little did he realize when he laid the foundations of the British "welfare state" by producing the Beveridge Plan of social security, that the effect of the inflationary influence of that plan would be insecurity for him and for millions of members of the middle classes who had hoped to enjoy a comfortable old age thanks to retirement pensions or to having saved part of their earnings. The fact that one of the principal authors of British postwar inflation has now come to realize what he had done is likely to create a profound impression on British opinion.

Until now the argument of the inflationary school, that thanks to the inflationary monetary policy, Britain's producing capacity has been increased and the standard of living raised, has carried widespread conviction. It has been argued that much real wealth has been created at the cost of a depreciation of the money which, while causing a redistribution of wealth, does not impoverish the community as a whole, so that on balance the community stands to benefit by the increase in its real wealth.

There are many people—amongst them economists of high standing such as Professor Pigou—who, while condemning runaway inflation, would welcome or at any rate tolerate a continuous rise in prices by, say, 2 to 3% a year. What they fail to realize is that, once the public has become thoroughly conscious of the continuous character of the erosion of money, the advantages of inflation are likely to decline and its disadvantages increase.

Will Add to Treasury's Financing Burden

If a very large number of firms and other investors should follow the example of Sir John Hay's group, it would become increasingly difficult for the Treasury to obtain the renewal of its maturing debt, except on very unfavorable terms. As it is, 5½% has come to be regarded as the yield that should be expected on Government loans, which is above the figure at which it stood prior to the memorable conversion of the 5% War Loan by Mr. Chamberlain in 1952. This means that the cost of financing the ambitious investment program of nationalized industries is bound to be very high. The Treasury will have to find many hundreds of millions within the next few years, to provide the funds needed for capital expenditure on the coal mines, railways, atomic energy, etc. At the present level of interest rates this will add considerably to the burden of the public debt, in addition to the higher interest charges on conversions of maturing loans.

Oddly enough, it is the British organized industrial workers who are primarily responsible for the increase of "unearned incomes" of capitalists represented by the yield on Government loans. Their excessive wages demand is the main cause of the non-stop depreciation of money which tends to divert corporation reserves from Government loans to equities. Wages inflation forces the authorities to maintain high short-term interest rates as a disinflationary measure, and prolonged high short-term rates are bound to affect the level of long-term rates. In order to restore the confidence of investors in the stability of the value of Government loans, it would be necessary to achieve a stability of prices, not for mere six months but for several years.

A. M. Kidder Co. To Be Corporation

The partnership of A. M. Kidder & Co. will be dissolved Dec. 1 and a new corporation, A. M. Kidder & Co., Inc., will be formed. Officer will be Josephine P. Bay, Chairman of the Board and President; Albert C. Hugo, D. Arnold Skelly, James C. Warren, Milton E. Lawrence, Richard M. Barnes, Myron D. Stein, Dudley J. Byers and John J. Morly, Vice-Presidents; Frank W. Conlin, Vice-President and Secretary; Harry J. Neal, Jr., Vice-President and Treasurer; Edmund D. Read, Rosswell J. Yunker, Jane Foster, Assistant Secretaries; Frederick H. Howell, Raymond O'Mara and Howard D. Ginder, Assistant Treasurers.

Main office of the firm, which is a member of the New York Stock Exchange, is located at 1 Wall Street, New York City.

E. F. Hutton Adds

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Martin Presler has been added to the staff of E. F. Hutton & Company, 623 South Spring Street.

With Marache, Dofflemyre

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Lucien R. Caforio has been added to the staff of Marache, Dofflemyre & Co., 634 South Spring Street, members of the Los Angeles Stock Exchange.

The Sale I'll Never Forget

By GERALD M. LOEB

Partner, E. F. Hutton & Company

Members N. Y. Stock Exchange

Author of "The Battle For Investment Survival"

The sale I will never forget is one I never expected to make. It taught me that persistence often means as much as genius in getting results. Few of us have genius—all of us can develop persistence. It started in perhaps 1930. I had a very big account, which dried up after the 1929 decline. Naturally, I kept this account posted even though his business had ceased. It was a little disconcerting because months and eventually years went by without any acknowledgment of letters, telegrams or information. Just the same, I kept on sending him any data which I felt would be useful to him.

G. M. Loeb

The pay-off didn't come until 1933 or 1934, when a stranger walked into the office. He said he had come from out of town and wanted to place an order. It developed that he was a relative of my old account, who had sent him to me to buy over 100,000 shares of an active listed stock selling in the 20s. Thus, all the persistence and posting paid off many times over.

I found the same principle worked time and time again and over and over again. Strange as it may seem, very few salesmen teach themselves such simple fundamentals as persistence. If they possess integrity, customer interest, loyalty and other homely virtues, sales success can be acquired by anyone.

NASD District No. 13 Receives New Slate

The Nominating Committee of District 13 of the National Association of Security Dealers has submitted the following slate:

Board of Governors—Allen J. Nix, Riter and Company, to succeed Oliver J. Troster, Troster, Singer & Co.; Ernest W. Borkland, Jr., Tucker, Anthony & R. L. Day, to succeed H. Warren Wilson, Eastman Dillon, Union Securities & Co.

District Committee—Albert C. Purkiss, Walston & Co., Inc., to succeed Allen J. Nix; Orland K. Zeugner, Stone & Webster Securities Corp., to succeed Ernest W. Borkland, Jr.; E. H. Ladd III, The First Boston Corp., to succeed Robert C. Johnson, Kidder, Peabody & Co.; Joseph S. Barr, J. S. Barr & Co., Inc., Ithaca, New York, to succeed Philip H. Gerner, George D. B. Bonbright & Co., Rochester; Stanley L. Roggenburg, Roggenburg & Company, and Avery Rockefeller, Jr., Dominick & Dominick, the latter two being newly created posts.

Members of the Nominating Committee were: Francis A. Cannon, First Boston Corporation; David J. Lewis, Paine, Webber, Jackson & Curtis; John J. O'Kane, Jr., John J. O'Kane, Jr. & Co.; Carl Stolle, G. A. Saxton & Co., Inc.; and Herbert R. Anderson, Distributors Group, Incorporated.

Blancke Noyes, Hemphill, Noyes & Co., has been elected a member of the District Committee to fill the unexpired term of Edgar J. Loftus.

Two With Sterling

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Joseph Botti and Richard L. Plehn have become associated with Sterling Securities Co., 714 South Spring Street.

Critical Question in Banking Today

By HON. W. RANDOLPH BURGESS*

Under-Secretary of the Treasury

In praising the role played by bankers in promoting the impressive sale of savings bonds, Treasury Under-Secretary states the critical question confronting banking today is how banks carry out their lending stewardship. Asks bankers not to undermine Fed's independence and contribution to sound money in handling loan applications; and invites continued cooperation in restraining less essential money-uses, and in encouraging more saving.

On behalf of the Treasury, let me acknowledge the great service which the country's banks have rendered to the Government during the past year in handling our funds, in helping to sell our security issues, and in many other ways.

W. R. Burgess

We rely particularly on your voluntary efforts for the sale of Savings Bonds. About 40 million Americans now own more than $41 billion of Series E and H Savings Bonds, a new all-time high mark. In spite of the increased competition of other investments at higher rates, sales of these Bonds this year will exceed $5 billion. Sales of small denomination Bonds are ahead of last year.

In recognition of the services of the Association and his own personal leadership, I have pleasure in awarding a Treasury citation to your President, Fred F. Florence. The citation reads:

"Your leadership in promoting United States Savings Bonds during your Presidency of the American Bankers Association has been a notable contribution to the Treasury's program. Your patriotic service will be long and gratefully remembered."

Saving Bonds and Inflation

Our partnership in the sale of Savings Bonds dramatizes the joint responsibility of Government and the banks for the preservation of the value of the United States dollar. In selling these Bonds to millions of people, we incur an obligation to see that the dollars in which they are finally paid preserve their buying power.

In recent months, this issue has attracted much public attention. The Government is being criticized for allowing, in nearly four years, a 2½% increase in the cost of living. The same critics are, at the same time, attacking the steps taken by the Government to preserve the value of the dollar and keep prices stable. Under the previous Administration, which did not take effective steps to preserve the value of the dollar, the cost of living rose 92% and the value of the 1939 dollar was cut to 52 cents. About half of this loss was after the conclusion of World War II.

Reasons for Inflation

Thus, there has been inflation, and the threat continues. This threat is not solely a domestic issue. It is a world-wide problem. Everywhere recognition grows of the wicked damage which inflation does to the young and the old, the pensioner, the saver, the salaried and professional worker—and to sound economic growth.

One reason for the inflation danger is that we are now enjoying a great peacetime prosperity—the first real peacetime prosperity in this generation. Month by month, we are making new records in the country's national product and national income. Our dollar wages and, more important, our real wages are at new high levels.

With confidence in the future, American business is making unprecedented investments in factories, machinery, public utilities, etc. Local and state governments are building roads and schools. In addition, we are building new homes at a rate of better than a million a year.

Because of our great prosperity, the demand for money is greater than the amount we are saving. And this in spite of very large savings. Individuals are saving about 7% of their income, and business is saving and using for plant development about half of its net income.

But all the money we are saving, as individuals and business, is not enough to pay for all the things we Americans would like to have and to do. That is fundamentally the reason why we are short of money and interest rates have risen.

Because of these huge demands, money for investment is being drawn from the banks as well as from savings. Bank loans to business have risen by leaps and bounds to all-time highs, with the seasonal peak still ahead. More people are borrowing more money than ever before, but they want still more.

In such a situation, everybody who wants money simply can't have as much as he wants. If the Government tried to provide it through the Federal Reserve System, that would be straight inflation.

Outlines Prosperity Without Inflation Procedure

If we are to keep our prosperity and continue evenly our dynamic growth without inflation and without "boom and bust," we must, as a nation, follow policies directed toward two objectives.

First, to restrain or postpone some of the less essential uses of money, and

Second, to encourage more saving.

These policies are a joint responsibility of the Government, of business and banking. We are all in the same boat. We don't want "boom and bust"; we do want to continue our fine prosperity.

Here is what the Government is doing:

(1) We have brought the Federal budget into balance and started to reduce the public debt. You can't have stable money if Government deficit spending is feeding the fires of inflation.

(2) We have reduced taxes, leaving more money in the hands of the taxpayers.

(3) We have assured to the Federal Reserve System its freedom to exercise independent judgment in its monetary policies. The System, in turn, has allowed the relation between the supply and the demand for funds to express itself in interest rates.

Protected by these policies, we have had remarkable price stability. Confidence is high and savings are growing. These fundamental steps take time to work, but we think they are working.

Critical Question in Banking Today

But the banks of the country also have a responsibility for preserving the value of the American dollar. They are at the crucial point of impact with the individual borrower. For national policy only becomes truly effective when the bank officer sits down with the borrower and discusses specific loan problems.

With the present demand for money running beyond the accumulation of savings, the banks have to be selective in their loans.

Fortunately, in this country, the Government does not try to dictate to the banks just what kinds of loans they can make or not make. That rests in the judgment of the individual banker. The banker thus assumes stewardship in administering the national policy. The critical question in banking today is how the banks carry out this stewardship. Do they freeze up at some point and make no more loans? Do they, as I have heard suggested in some cases, say to the borrower, "Bill, I would like to take care of you, but we are fresh out of money because of Federal Reserve policy."?

Or does the banker screen his loans with care, trying to see that every sound and essential requirement for credit is met but that more speculative and less desirable requests are postponed or reduced? And does he explain the real reasons for restraint in lending in the interest of the borrower?

I believe the evidence is conclusive that the banks of the country have generally been following wise policies. The recent survey of the American Bankers Association of 78 representative banks shows that loans to small business are 14% higher than a year ago. This and other evidence from many localities indicates that the essential needs of sound borrowers are being met—but with proper discrimination.

Banks, Too, Should Defend the Fed

The action which you, as bankers, and we, in Government, take at this time has a weighty impact on human welfare of tomorrow. What all of us do today will determine whether the pattern of our economy shall be that of "boom and bust" or whether we shall continue our high prosperity and dynamic growth without serious interruption.

The way you deal with your customers at this critical time will affect the public reputation of banking more than any advertising campaign.

Our joint ability to recognize and explain Federal Reserve policies will influence public opinion of the Reserve System and of sound money policies. If we should lay all the blame for loan rejections on the Federal Reserve System, we might undermine its independence and invite political reprisals. Most of us here today value highly the contribution of the Federal Reserve System to sound money, and we must not take it for granted.

Without question, we have today—all of us working together—a great opportunity. The country is enjoying remarkable prosperity and vigorous growth. With wisdom, understanding, cooperation, and courage, that prosperity and growth can be carried far into the future.

*An address by Mr. Burgess before the 82nd Annual Convention of the American Bankers Association, Los Angeles, Oct 23, 1956.

College Paper Booms Insurance as Career

"Insurance World 1957," second educational-vocational project to be published by the Yale Daily News, to give complete analysis of America's largest industry to 300,000 undergraduates. Project under direction of John Arthur Neumark.

The first magazine of its kind to offer a complete and objective analysis of America's largest industry, the insurance industry, will soon be distributed to over 300,000 undergraduates throughout the United States and Canada.

John A. Neumark

The publication, "Insurance World 1957," is actually the second in a series of educational - vocational projects to be published by the "Yale Daily News," the nation's oldest college daily newspaper. The first, "Wall Street 1955," received unprecedented support from all sections of the brokerage and investment banking business.

Work on "Insurance World" was begun over a year ago at the headquarters of the "News" in New Haven, Conn. The idea was originally conceived by John Arthur Neumark, Yale, 1957, who is acting as chairman of the project. He is national advertising manager of the "News," and was also editor of "Wall Street 1955." Its basis was the increasing unawareness on the part of college men of the nature, scope, and operations of the insurance industry. Many of the industry's top executives have contributed to and helped support the magazine in the hope of bringing about a more complete understanding of insurance, both as a career and as a field of future policy investment.

This past summer the headquarters of "Insurance World" were moved to New York City, where a full-time staff of 10 members of the "News" co-ordinated the activities of over 40 student advertising salesmen who represented the magazine in 36 states and three countries.

With Peninsular Secs.

(Special to THE FINANCIAL CHRONICLE)

ST. PETERSBURG, Fla.—Edward R. Dunn has become affiliated with Peninsular Investments, 134 Beach Drive, North. Mr. Dunn was previously with Grimm & Co. and Goodbody & Co.

Joins Johnson, Lane

(Special to THE FINANCIAL CHRONICLE)

SAVANNAH, Ga. — Philip S. May, Jr. has become connected with Johnson, Lane, Space & Co., Inc., Bay & Drayton Streets.

Banking: Past, Present, Future

By FRED F. FLORENCE*

Retiring President, American Bankers Association
President, Republic National Bank of Dallas

ABA President reviews past year's important events, including inauguration of Government Relations Department and public relations program to encourage savings, and sets as banks' future challenge ability to make a maximum contribution to economic growth while avoiding inflation and deflation. Mr. Florence urges maintenance of soundness and integrity of our money in order to preserve savings' value; recommends banks enlarge their capital accounts in anticipation of economy's growing needs, and at a time when investment market makes it feasible; and looks to succession of managerial talent capable of meeting problems of a highly competitive market and keeping banking in forefront of devoted service to public's welfare.

Fred F. Florence

The opportunity to serve as President and spokesman of the American Bankers Association is a high privilege and a great responsibility that comes to few men. It is therefore with a feeling of deep gratitude for having had such a privilege that I report to this Convention on my stewardship during my tenure of office.

In accepting the honor of serving as your President, I did so with appreciation of your confidence and esteem. I approached the responsibility with a deep sense of humility—with a recognition of the challenge it presented and the complexity of the problems confronting the changing financial world.

Progress has been made by the Association, and its affairs are in good shape, but the challenge of problems facing the future is in no sense diminished. In fact, these problems have intensified.

During the past two years, it has been my good fortune to attend meetings of bankers and other groups in the far corners and inner recesses of the country. It has been a rewarding experience to observe not only the forward strides being made by our progressive institutions, but also to learn first-hand about the problems created by a vigorous economic environment. We are living in an atmosphere of basic growth and prosperity. By and large, our industries and our people are doing very well indeed. We are making powerful progress as a nation toward richer and fuller lives for an expanding population. Banking has been an important factor in this national progress. We have also shared in this growth and prosperity.

Still, the very dynamic quality of this progressive atmosphere has created some difficult problems for banking. The new generation of bankers advancing to top management in our institutions has not had to deal with those problems that are inherent in an extended period of business recession. On the other hand, this new generation has become exposed to such recent elements as a competitive environment in which relationships between different types of financial institutions are changing; in which standards of operation and the quality of credit are being conditioned by a prevailing attitude of confidence and well-being; and in which increasing demands for more and broader services are constantly being pressed by the public. In short, banking today has all of the problems of a highly competitive market that is changing in breadth and scope. The role of this Association — and of the individual banks comprising it—is to devote the full measure of our energies and talents toward dealing with those problems constructively and in the public interest. It is in this context, therefore, and I should like, first, to review briefly some of the major developments of the past year; and second, to try to evaluate the challenge to banks over the road ahead.

*An address by Mr. Florence before the 82nd Annual Convention of the American Bankers Association, Los Angeles, Oct. 23, 1956.

Establishment of Government Relations Department

Banking is a highly regulated and supervised industry. Dealing as they do in money and credit, banks are close and responsive to the pulse of the economy. In this present-day world of political economy, the influence of government is felt at every turn. While a significant part of the work of the Association over the years has been concerned with problems arising out of governmental functions, your officers have now considered it to be of such great importance as to require special consideration. Accordingly, on Nov. 1, as announced to the press recently, we shall inaugurate a Department of Government Relations. We are confident that this new department will achieve a greater coordination of Association activities in the broad field of relations with governments at both Federal and local levels. It is hoped that this will prove to be an effective organizational improvement for administering the ever increasing burden of work in this vital area of Association activity, and that by improving our means of informing the membership concerning legislative developments, it will bring forth even better cooperation from our great membership in striving toward those objectives that are in the best interests of banking and of our country.

In connection with government relations, it is appropriate to note that Senator Robertson has requested the Association to offer suggestions with regard to the revision of banking laws as part of the study of his subcommittee for the recodification and modernization of financial laws. It is my privilege to report that the Association will cooperate fully with the Senator's committee. Such a study should make a very constructive contribution to the sound functioning of our financial system.

A second important event during the past year was the passage in May of the Bank Holding Company Act of 1956. Your Association in 1953 intensified its efforts to deal with the difficult controversy over holding company development by seeking the enactment of suitable regulatory legislation. Independent bankers and holding company bankers together participated in the promulgation of principles which were adopted by the Executive Council and the Association in Convention that year. The Committee on Federal Legislation and the staff followed the mandate of the Association to secure legislation in conformity with the principles adopted. Three years of hard work and intensive effort by all of us led to the recent passage of the Act, which closely follows the principles recommended to the Congress by the Association.

Committee on Executive Development

A third major step forward was the formation of the Committee on Executive Development. In this expanding economy, a modern, efficient business requires strong management personnel. The very pace of our country's scientific and industrial advance has produced strong demand for executive talent, and our banks have been hard-pressed to compete for the best available manpower. This Committee is now hard at work, and should provide valuable service to the membership in helping to develop the executive management our growing banks need today and will need to an increasing extent in the future.

Modern business not only requires the highest quality of executive management, but it also must look toward scientific developments to improve its efficiency and performance. The burden of work upon our banks is increasing rapidly as the economy expands and the public makes more intensive use of banking services. The competitive pressures in our growing markets will become increasingly severe as time goes on; therefore, our institutions, in order to survive and to prosper, must gear their operations to the most efficient methods and equipment that management and scientific genius can devise.

Automatic Check Processing

A landmark in the history of banking operations was reached recently when in July the Bank Management Commission of the Association recommended "magnetic ink character recognition" as the "common machine language" most suitable for the automatic processing of the billions of checks moving through the banking system. Attesting to the soundness of the Commission's conclusion is the fact that all of the machine manufacturers which have been conducting research and developing machinery on this problem have indicated their endorsement of the Commission's action and have expressed their intention to assist in the implementation of this method of check coding. The check-printing industry has also expressed satisfaction with the decision and its willingness to participate. Thus, a vital link has been forged in the adaptation of electronic wizardry to our operations. This development, resulting from the hard work and thought of the Commission and the equipment industry, represents an important step toward greater efficiency, more economical operation, and better service for the public.

In one way or another, all of these developments have an important bearing upon the competitive environment in which our banks operate today. Whether it be in the field of government relations, acquisition of management personnel, or development of operational efficiency, our goal has been to keep banking in the forefront as a privately owned system operating to serve the public—and serve it well — on a reasonably profitable basis.

Better Merchandising and Public Relations

Nevertheless, in the competitive framework of modern business it is not enough to have a good product. The pressures upon markets today require that the product be merchandised effectively and vigorously. Banking is no exception. Its product consists of services, most of which are merchandised by competitive institutions or organizations. Therefore, banks must be prepared not only to have their traditional services available to the public, and to develop new services when appropriate, but also they must do a more intensive and effective job of merchandising those services.

It is toward this end that the Association has stepped up its public relations efforts. Over the past year, banking has been given broad coverage through various public relations media. This method of creating goodwill for banking is very important, but it can be effective only if it is anchored to a sound tradition of friendly and capable service on the part of the individual institutions comprising the system.

No better illustration could be given than in the savings field. Today, with the tremendous demand for capital and credit, there is keen competition for the savings of the people. Our Association has devoted tremendous study to this field—from the viewpoints of legislation, operations, and public relations. Since banks are facing such strong competition for savings from other financial institutions and organizations, it is only natural that an important segment of our public relations and promotional work should be concentrated on the savings area.

Last month, the Savings and Mortgage Division, Public Relations Council, and Advertising Department jointly initiated a nationwide program of concerted local action by banks to merchandise their savings deposit business. This project—with the theme "The Bank is the Saver's Best Friend"—is to serve as a continuing program of thrift promotion. It is a partial answer to one of the knottiest problems of competition facing our institutions, but of course it will prove of little or no value if banks do not do a conscientious and efficient job of service in this increasingly important area of savings.

Now to turn to some of the broader aspects of the current banking picture in terms of the challenge of the future.

Foremost in the minds of bank-

Continued on page 31

Who Should Manage Our Managed Money?

By ELLIOTT V. BELL*

Editor and Publisher, "Business Week"

Chairman, Executive Committee, McGraw-Hill Publishing Co., Inc.

In proposing creation of a Presidential National Economic Council, comprising Administration's economic policy makers and Federal Reserve Chairman, editor and publisher Bell dichotomizes Fed's independence by denying favoring Fed's subservience to the Treasury while questioning at the same time whether the Fed "ought to be able to ignore or even go counter" to Administration's policies to carry out Employment Act's goals. Advises bankers to face up to monetary control problems; endorses standby selective credit controls; suggests exploring flexible depreciation countercyclical policies; and concurs in proposed convening of Monetary Commission study.

Elliott V. Bell

Since the last World War, there has been established pretty generally in the world a new and revolutionary political doctrine, that the State is responsible for maintaining the economic health of the community. The Employment Act of 1946—a law that was passed by a Republican Congress and signed by a Democratic President—pledges the Government "to promote maximum employment, production, and purchasing power." Both political parties have accepted this responsibility in full.

Prior to the Great Depression, this idea that the State must see that there are jobs for every one would have been considered madness—outside a convention of the Socialist Party; but the bitter experiences of the 1930's and the War changed people's thinking radically. The popular reaction was: "If we can have full employment in wartime, why not in peacetime?"

So today, this new doctrine that the State is responsible for maintaining the economic health of the community is, as Geoffrey Crowther says, "so universally accepted that one would be thought very eccentric and very reactionary even to question it. Yet the odd thing," Mr. Crowther adds, "is that this responsibility has been accepted without the slightest proof that any one knows how, in fact, it is to be discharged."

Now please do not misunderstand me. I am one of those who have been saying for years that we must not and we need not have another Great Depression. What bothers me is that there appears to be so little real disposition on the part of any of us—politicians, bankers, intellectuals, and the rest—to face up realistically to what is actually involved in this tremendous new national commitment.

*An address by Mr. Bell before the 82nd Annual Convention of American Bankers Association, National Bank Division, Los Angeles, Oct. 23, 1956.

Administration Cannot Control Monetary Policy

There seems to be a very widespread assumption that, having turned over to Government the responsibility for maintaining the economic health of the country, Government, in turn, can simply pass the buck to the Federal Reserve System, and the Fed, in turn, can achieve the goal simply by manipulating the reserves of the banking system and inconveniencing nobody except perhaps a few Government bond dealers. I have a feeling that so great an enterprise cannot be accomplished quite so simply.

I propose to examine here briefly some of the implications of this new doctrine and, specifically, to raise two questions that call for early answers:

(1) In maintaining a stable economy, can we rely as heavily as we have lately upon overall quantitative credit control?

(2) Can we continue to hold the Administration responsible for the consequences of credit policy while still insisting that the managers of our money shall be wholly independent of the Administration?

The first A. B. A. Convention I ever attended was held here in California, twenty-seven years ago. That was also an era of great optimism and of remarkable faith in the efficacy of monetary policy. More than one person thought we had triumphed over the business cycle.

Back in 1929, the discount rate got up to 6%, and call money went to 20%, but security loans kept right on going up until finally the whole business collapsed and we headed for the Great Depression. Then the Fed struggled for years to bring about a recovery by easy money. The discount rate went to 1%, and Treasury bills went to a negative yield. But it was not easy money that finally cured the unemployment of the thirties.

It was the vast deficit spending of war.

The events of the Great Depression destroyed the illusion that mere tightening or loosening of the total volume of credit was a sure-fire cure-all for economic ups and downs. The simple monetary explanation of the business cycle withered away to be replaced by more complex ideas of the interrelation of Federal spending, taxes, savings and investments, income, employment and money, too. So the new hope of preventing depressions came to rest not just on central banking techniques but on "compensatory fiscal and monetary policy."

Thus the Eisenhower Administration, faced with the recession of 1953, effectively employed fiscal as well as monetary measures to combat the downturn. The hope of a balanced budget was deferred; and instead, a spectacular tax reduction early in 1954 gave the economy a powerful upward boost. Similarly, the Administration's refusal to go along with a tax cut this election year has been a measure of restraint.

Limitations of Credit Control Reliance

There seems to be, however, an increasing tendency to rely more and more heavily on overall credit control to deal with booming tendencies in the economy. The limitations of this policy are becoming more and more apparent.

It is often said that overall, quantitative credit control is the fairest kind of control. The theory is that, like the gentle rain from Heaven, it falls upon the just and the unjust alike.

Actually, in today's circumstances, overall credit restriction bears down very hard on some segments of the economy while it does not at all affect others.

Thus home building is hard hit. But other types of construction are little affected.

Small business is directly hit. The little fellow finds his credit drastically cut down. But the big corporation is not affected at all. The industrial giants have no difficulty financing their expansion plans. And the increased interest cost is neutralized by high taxes A prime rate of 4% is an effective rate of less than 2% after taxes. That, of course, is for the large corporation that's making money. The corporation that is losing money—and there are some, even these days—gets socked with the full force of the higher interest rate.

So it turns that overall credit control is in practice highly selective—or at least discriminatory.

This is not at all to depreciate the usefulness of general credit control. Federal Reserve manipulation of the volume of bank reserves so as to influence the supply of money can be a most powerful instrument. But is it the proper medicine for every pain or pimple in the national economy?

I question whether you can keep the Steel Workers Union from seeking and obtaining higher wages by tightening credit. I doubt you can directly affect instalment credit by forcing up the prime rate a few notches. Nor can you keep big corporations from carrying out the capital expansion plans they have made simply by raising interest rates.

The attempt to halt the wage-cost-price spiral in steel, for example, by curtailing the total volume of credit is like burning down the barn to kill a rat. You may succeed in halting wage increases but only if you go to the length of bringing on recession and unemployment.

The truth is overall credit control alone is a pretty crude weapon to use in dealing with an economy where not all elements are expanding and not all lines of business need to be discouraged.

Apart from the uneven impact of overall credit restriction, this business of turning the spigot of credit on and off is likely, I'm afraid, to do our financial system no good in the long run.

Questions Seesawed Values of Governments

Take what's happened this past four years. Right after the 1952 elections, the Fed began to restrict credit, raising the discount rate and tightening up by open market policy. In fact, by May 1953, the brakes were down so hard they jammed and the economy started to skid. Then came the swift reversal, including open market purchases, lowered reserve requirements, and two cuts in the bank rate. But by September 1954, the Fed was shifting again; and early in 1955, it began the series of moves, including six successive advances in the rediscount rate, that has produced the present credit stringency.

Now all this intense money management had a direct reflection in the Government bond market. As an example, Victory 2½s, which had reached a high of 104 prior to 1952, fell to 89 and a fraction by early 1953. They were back above 100 in 1954 and back again to about 91 recently.

The aggregate market value of all Government securities has seesawed back and forth by tens of billions of dollars. Our banks, insurance companies, and other financial institutions have seen their Government portfolios — which should represent their most stable assets—become their most fluctuating assets. When I ask some of my old friends in the money market these days how the Government bond market is, they tell me, "There is no Government bond market."

I cannot escape the feeling that these violent fluctuations add no strength to our financial system. It will surely occur soon to some smart fellow that if the Fed is going to chase the Government bond market down 10 points, then up 10 points, then down 10 points again—Governments are a better speculation than an investment.

So, having committed ourselves to the proposition that Government must stabilize the economy and prevent both boom and bust, it seems to me we must ask ourselves whether it is good enough simply to rely on quantitative credit control to do the job.

Advocates Selective Credit Controls

Nobody likes selective credit controls, such as Regulation W, which was used in three different periods from September 1941 to June 1952 to control consumer credit, or Regulation X, which was used for a time to restrict real estate loans.

Certainly these regulations were not popular with the business interests covered or with the public generally, and they were an unholy headache to the Federal Reserve System itself.

The truth is most of us are like the farmer—we want the Government to guarantee us prosperity, but we don't want any blankety-blank bureaucrat telling us how to run our business.

Yet selective credit controls can work. The Federal Reserve has two regulations in permanent use —regulations T and U, which govern loans to finance security transactions; and it is worth noting that amid all the talk of inflation nowadays, no one has suggested that there is any sign of inflation in "Street" loans. In the past two years, such loans have actually declined.

With the memory of 1929 still burned into our consciousness, nobody even suggests that the regulation of security loans should be abandoned. Would any one suggest we should go back to trying to control stock market loans by raising the discount rate? Yet, when the authorities become concerned about a too rapid rise in consumer credit, the only thing they can do is to choke off the supply of credit to the whole economy.

If we are serious about this business of trying to control the business cycle, ought we not be willing, at least, to give the authorities standby power to impose selective controls?

Countercyclical Policies Not Used

As for compensatory fiscal policies, apart from the tax cut in '54 and the absence of a tax cut in '56, they have not been much in evidence.

One might suppose it would be in order at this time to refund the national debt, but overall credit restraint, having driven the price of "Governments" to the lowest levels in years, has put such a damper on the Government bond market that refunding would be a pretty difficult business.

There are fiscal measures of countercyclical control we have

Continued on page 34

Banking at the Crossroads

By EARLE A. WELCH*

President of the Savings and Mortgage Division, American Bankers Association
President, Meredith Village Savings Bank, Meredith, New Hampshire

ABA Savings and Mortgage head notes increased savings and mortgage credit, but decries slowed savings rate during present business boom characterized by less savings and more spending. Mr. Welch recounts such foretelling signs of a changing trend as: mortgage loans discount prices; savings and loan associations interest rate competition to more conservative lending commercial banks; increased dollar volume of housing with downward housing starts; and more and more lenders seeking FNMA support. Reminds bankers of recent legislation which can relieve veteran of further personal responsibility under spefified conditions; and refers to efforts made in past year to have Congress continue real estate credit on a sound basis, and to avoid further credit liberalization

The Savings and Mortgage Division is not only continuing but has increased its efforts to enlist all banks in actively participating in providing savings services for their customers. We believe that such a program is one in which all banking should have a vital interest and one that will result in great benefit to banks and their customers, as well as contributing materially to the national welfare by encouraging sound policies for economic growth.

Earle A. Welch

There has never been a time more important than the present in which to urge sound principles of savings and thrift as an offset to inflationary tendencies, and to meet investment needs that originate from savings growth. Because we believe it to be fundamental to the preservation of a strong banking system, the ABA is taking an active part in seeking this savings goal.

The Growth of Savings

While savings deposits in banks and other saving institutions have continued to grow, the rate has not kept pace with the increase in personal income. If, therefore, people are not saving as large a proportion of their income as they once did, then the business boom we have been experiencing in recent years has been characterized by less saving and more spending.

However, the dollar volume of savings as compared with other years remains high and is impressive.

During the first six months of 1956, savings as a whole increased a little more than $7 billion, an increase of $1 billion over the previous six months' period, and $300 million more than the corresponding period in 1955.

Savings for the country as a whole, as reflected in the principal types of savings institutions and savings banks, now total $247 billion. This is an increase of $11 billion over last year, and nearly $50 billion during a five-year period. Total savings from all sources have increased $105 billion or 74% since the termination of World War II in 1945.

Banks have played an increasingly important part in this savings growth. Time deposits in banks have increased over $3 billion for the year ending June 30, 1956. Savings and time deposits in commercial banks are now $49½ billion and in mutual savings banks $29 billion.

Growth in Mortgage Loans

Much of the expansion in savings seems to have found its way into mortgages as a primary source of investment. For the first six months of 1956, a total of $13.5 billion in mortgages has been made throughout the country, which is the second highest volume of mortgage lending for a similar period on record.

Some indication of the rapid growth in this volume of mortgage lending is gained from a comparison with years following the end of World War II. On Dec. 31, 1945, mortgage loans were outstanding in banks and all types of lenders in the amount of $35½ billion. On June 30, 1956, they had increased to approximately $138 billion.

Insured and Guaranteed Loans

It is impossible to discuss the growth in mortgage lending activities without referring to the influence of insured and guaranteed lending in the mortgage volume. FHA and GI loans now account for nearly 45% of all outstanding mortgages on 1- to 4-family residential property.

FHA during its lifetime has insured a total of some $23½ million mortgage loans, for a dollar volume of $41½ billion! During the month of June this year, FHA insured 110,000 mortgages for a total of nearly $280 million. For the first six months of this year, FHA has insured 600,000 loans for a total of $1¾ billion.

After deducting amortization and loans paid from the total of FHA loans which have been insured, the net amount presently outstanding is $15 billion.

Veterans Loans

The Housing Act of 1956 extended the World War II GI program for another year, to July 25, 1958. In the 12 years of the GI program, approximately 4½ million World War II veterans have borrowed over $33 billion. The government's responsibility in this huge sum through outright guaranty totals almost $18 billion. FHA and VA loans combined are now $41 billion out of the total outstanding loans on residential property.

An important new aspect of GI lending, as a result of Federal legislation this year, has a serious bearing, from the lender's viewpoint, on the program, and I suggest warrants your attention. Under specified conditions, the veteran may be relieved of all further personal responsibility if agreed to by the purchaser who has been approved for credit by the VA and who then becomes the only mortgagor upon assuming the veteran's loan.

Savings and Mortgage Highlights

While the continued high volume of savings growth and mortgage placement play an important role in our immediate activities, I would like to bring to your attention some savings and mortgage highlights of the present time.

Interest Rates. In both the field of savings and the field of real estate credit, interest rates are dominant news. Savings and loan associations are advertising extensively (in the West particularly), for savings, offering rates of 4% to attract savings funds. This is a real competition for commercial banks in these areas, which must follow more conservative lending policies and, further, are not allowed by regulations to pay interest in excess of 2½%.

In the mortgage field, interest rates are playing a major role in market terms for fixed-income mortgages, and in many instances are responsible for a return to the conventional loan as a means of mortgage financing, where interest rates have flexibility and a par market can be maintained.

Home Construction. In spite of problems of money tightness and downward predictions for the coming volume of construction, building goes on at a rapid pace. Contract awards for future construction in August, as reported by the F. W. Dodge Corporation and covering 37 eastern states, amounted to over $2 billion, which represented a 9% increase over August 1955. During the first eight months of 1956, the cumulative total of awards reached a record high of approximately $17½ billion, or an 8% increase over the same period of 1955. The awards in August were the highest ever recorded by the Dodge Corporation in all categories. Residential construction alone amounted in dollar volume to nearly $900 million, an increase of 5%, although the number of housing starts were lower by 9%.

At the present time, home building is progressing at an annual rate of 1,100,000 units; but this total may be somewhat lowered by a continuation of tighter credit.

The Secondary Mortgage Market. With the discounts prevailing in the secondary markets for insured and guaranteed mortgages, more and more lenders are seeking the support of the Federal National Mortgage Association (Fanny May) to dispose of their originations. In the second quarter of 1956, over $80 million in mortgages were sold to FNMA, a figure 10 times greater than for the corresponding period in 1955.

Starting Nov. 1, 1954, the "new" FNMA, in which sellers buy a small amount of capital stock with each sale, has grown to a total volume of over $300 million by Sept. 1, 1956, with monthly volume on the increase.

Work of the Savings and Mortgage Division

The work of the Savings and Mortgage Division is carried on by committees that are active in all branches of the savings and mortgage field. I would like to report to you on some of the work which the committees are doing and of the objectives for the future.

Committee on Savings and Mortgage Development. The Committee on Savings and Mortgage Development has spearheaded the expanded drive to encourage banks to promote savings more actively and to provide tools to achieve this end.

It has worked in cooperation with the Public Relations Council and the Advertising Department of the ABA. The nationwide savings plan has been adopted as a major ABA program, and every effort is being made to help banks meet the growing competition for savings and to develop added savings incentives for banks to follow. A complete savings promotion kit was mailed to all banks in September, containing samples of promotional material. As a part of the program, a booklet showing ways of using bank personnel to attract savings accounts was completed by the Committee during the year.

Committee on Savings Management and Operations. At the time the Committee published its functional specifications, it was estimated that it would take at least five years to develop an automatic savings and mortgage system. In less than three years, two equipment manufacturers have developed electronic data systems in substantial conformity to the ABA specifications, for which they are taking orders.

At least three savings banks have ordered such equipment. Complete analyses of two savings banks and commercial banks are being made.

The Committee is working with the equipment manufacturers to make the automatic systems available to smaller banks through cooperative use of an electronic system for several banks.

Although automation is here, we are not urging that it be undertaken hastily. We ought to learn as much as possible about the new systems because automation eventually will be available for the smaller as well as the larger banks.

The Committee's continued encouragement of the analysis of the important characteristics and activity of savings accounts has resulted in wider use of this service. A simplified method for transferring the essential data for account analysis is being studied, and should prove more effective in speeding up the analyses program and furnishing its benefits within the reach of more banks.

A nationwide survey on savings was made by this Committee in August, and the results have recently become available. It showed a continuation of the trend toward higher interest rates paid on savings accounts, a growth in the number of banks using savings certificates, and reflected the continued upswing in the volume of savings throughout the country. A striking characteristic of this survey was the increasing activity in the number of withdrawals from savings accounts in comparison to deposits received.

Committee on Federal Legislation. The Committee on Federal Legislation has devoted its efforts to legislation designed to remedy unfair competition for savings. The Committee has worked for the passage of bills before Congress to bring the branch powers of savings and loan associations under the "states' rights" principle observed by banks. Although the Senate passed S. 972, action was deferred in the House, awaiting prior consideration of a Savings and Loan Holding Company Bill. The Committee will press for action on this proposed legislation in the 85th Congress.

The Committee has met with members of the Federal Home Loan Bank Board to seek correction of objectionable advertising and competitive practices. It has supported bills to seek termination of the Postal Savings System. Bills relating to credit unions are under study.

Committee on School Savings Banking. More and more school children are being served by the school savings bank program. In our recent survey, it was revealed that nearly 4½ million children in some 12,000 schools have a total of $156½ million in school savings accounts. This is an increase in 1956 of 350,000 school savers, 2,000 schools and $16½ million in school savings.

The Committee on School Savings Banking conducts a National School Savings Forum in New York each year in conjunction with the Annual Savings and Mortgage Conference. In cooperation with the Advertising Department, a publication entitled "The School Saver" is prepared three times during the year; and copies are distributed to school children by banks in various parts of the country.

Committee on Investments. The objective of the Committee on

*An address by Mr. Welch before the Division's Annual Meeting at the 82nd American Bankers Association Convention, Los Angeles, Oct. 22, 1956.

Investments during the past year has been to provide background information which would be helpful in establishing an investment policy for smaller banks and in the management of the bond portfolio, so far as it relates to the investment of savings funds. Members of the Committee have prepared material setting forth their individual views on specific phases of savings bank investment procedure, which will be correlated into a series of articles to appear in "Banking" magazine, for assistance in setting up a bank's management program of investments.

Plans are now under way for an intensive study and eventual report based upon the Corporate Bond Study of the National Bureau of Economic Research recently made public. It covers the complete market experience data of leading corporate bond issues over a 50-year period, and the salient facts determining quality will be studied. It will search out the reasons for failure and make an analysis of the experience of quality ratings of banks and other guides used in the selection of investments.

Committee on Real Estate Mortgages. During the 84th Congress, the Committee on Real Estate Mortgages devoted a great deal of attention to Federal legislation affecting housing and mortgage credit. In statements and appearances before House and Senate Banking and Currency Committees of Congress, strong support was expressed for maintaining real estate credit on a sound basis, and to avoid continued liberalization of terms for insured and guaranteed mortgages as an important means for defeating the forces of inflation which are so often fostered by easy terms. We also urged the Veterans' Affairs Committee of the House to avoid direct government lending for home-building purposes, and to support the means for private enterprise corporations to provide the needed credit in small communities and remote areas.

The Committee also urged strong support for the continuation of the Voluntary Home Mortgage Credit Program, that agency which is composed of private enterprise groups — banks, insurance companies, builders, mortgage bankers, and real estate firms—which unite their efforts in directing a flow of existing mortgage credit from metropolitan areas where there is a supply into small communities where the credit supply is short and to minority groups. Until the last increase in the Federal Reserve rediscount rate, with its corresponding downward effect on the price of fixed-income investments (FHA and VA are fixed at 4½%), the VHMCP peformed an outstanding service, and had virtually eliminated any need for a government direct loan program for veterans' loans.

VHMCP is still doing a most creditable job; and insurance companies, as primary investors in originating loans under this program and in a serious effort to help private enterprise succeed and end government subsidy, are accepting eligible mortgages arranged for people in need in small communities at prices higher than the otherwise prevailing market.

Our Mortgage Committee serves bank members through information on trends and developments of importance in the field of home financing and in the preparation of material to assist banks in their mortgage work, including a booklet on "Mortgage Loan Policies for a Medium-sized Bank" and a complete summary of the important details for insurance and guaranty of loans under the National Housing Act and Servicemen's Readjustment Act, with revisions brought about by the passage of the Housing Act in 1956.

Conclusion

We continue to experience growth in savings and in mortgage credit, but the signs on the horizon are unmistakable that a readjustment process is more than a probability. Higher interest rates to attract savings, discount prices on mortgage loans, a large volume of current construction with indicated downward trend in the volume of new housing starts, government agency market supports for insured and guaranteed loans, and increasing demands for more liberal credit terms—all foretell a changing trend. We may well be at the crossroads where sound thinking, planning, and action are of vital importance for banking.

We must build up savings accounts and encourage thrift. We should invest those savings in good, sound, mortgage credits at fair rates and in sound, long term nomic growth. This is our goal. This is what the Savings and Mortgage Division stands for.

Bieder Adds

(Special to THE FINANCIAL CHRONICLE)

ST. PETERSBURG, Fla.—Clinton E. Bieder has been added to the staff of Bieder and Company, 3006 Central Avenue.

Joins Barclay Inv.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill. — Robert R. Shields has joined the staff of Barclay Investment Co., 208 South La Salle Street. He was previously with Francis I. du Pont & Co.

Glore, Forgan Adds

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill. — Robert A. Lewis has been added to the staff of Glore, Forgan & Co., 135 South La Salle Street, members of the New York and Midwest Stock Exchanges.

With Joel H. Clark

(Special to THE FINANCIAL CHRONICLE)

LEXINGTON, Ky. — Clyde S. Wilcox is now connected with Joel H. Clark & Associates of Texarkana, Texas.

With H. W. Brewer

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Elizabeth C. Beeuwkes is now with H. W. Brewer & Co., 53 State Street.

Joins Nelson Burbank

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Dennis F. Connelly, Jr. has joined the staff of Nelson S. Burbank Company, 80 Federal Street.

Homer Fahrner Opens

CORNING, Calif.—Homer Fahrner is engaging in a securities business from offices at 88 Moon Road.

Neilson Opens Office

ENGLEWOOD, N. J. — George F. Neilson is conducting a securities business from offices at 130 Glenbrook Parkway. He was formerly with First Investors Corp.

Low-Down On Aircraft Industry

By WELLWOOD E. BEALL*

Senior Vice-President, Boeing Airplane Co., Seattle

Pilotless aircraft, pending earth satellite, rocket landed on moon within ten years, and 200 passenger-jet transport, flying 1,500 MPH by 1975, are depicted as some of the progressive steps leading to possible future commercial passenger rocket and nuclear airplane propulsion stage, by Boeing Airplane's head Vice-President, in the course of reviewing the aircraft industry in general. Mr. Beall reports that the "jet transport market, once almost completely lost in the United States, is back in the fold," due in some degree to Boeing's $16 million investment of its own capital. Claims the industry is highly competitive, low-cost conscious, despite government contracts; praises incentive clause and cost-plus-a-fixed fee contracts; and notes orders-backlog in 1955 are three times larger than $5 billion sale.

Wellwood E. Beall

The aircraft industry has achieved an established position in American industry. It has become one of the nation's largest employers, and it has attracted and developed individuals of the highest technical and administrative talents. It has contributed significantly to the planning and molding of the national defense. The most recent available figures list the net worth of the 12 major airframe companies in the nation as more than $741.5 million. That's an increase of more than $361 million in the past five years.

Net sales during 1955 for those 12 major companies totaled more than $5,188,000,000, and the backlog of orders as of the first of this year reported by manufacturers of complete aircraft, engines and propellers added up to $15,776,000,000.

Last year employment in the aircraft industry was characterized by its stability, a direct result of the military policy of procuring aircraft on the basis of the "long pull in an age of peril." The average monthly employment in the industry was 750,900 workers, making it second only to the automotive industry as the largest manufacturing employer in the United States. Incidentally, one of every six aircraft employees is a woman. The aircraft industry historically has been subject to violent fluctuations in its number of employees. During World War II, more Americans worked to build military aircraft than had been engaged in any other single manufacturing effort in history. The industry rose from 41st among United States employers at the beginning of World War II, to first with 1,342,500 workers employed directly by aircraft manufacturers at the end of 1943 and an additional 650,000 employed by subcontractors and suppliers.

At the end of World War II, however, aviation industry employment had slumped to 219,100; and it was not until 1948, when Congress appropriated funds for a 70-group Air Force and a proportionate build-up of strength in naval air power, that employment in the aircraft industry started a slow climb.

Then in June of 1950 the Korean crisis flared up, and for the second time in a decade the aircraft industry was called upon to produce in great urgency large quantities of modern aircraft. Employment in 1951 had spurted to 463,600 workers, and substantial increases were made each following year until the number started to level off in 1955.

Skilled Shortages

Admittedly, the aircraft industry did not experience any critical shortage of workers during the Korean build-up—with one notable exception. That was in the highly skilled categories—scientists, engineers, technicians, and craftsmen—and I regret to say that shortages in those categories have grown steadily more critical. The reason? Well, you have only to go back to 1949, when about 47,000 engineers were graduated from United States schools. Then compare that to the number graduated last year—only 20,000. More and more engineers are needed to design, develop, and produce today's highly complex aircraft and missiles; and I assure you that Boeing, along with the rest of the aircraft manufacturers, can use them.

Boeing is one of the largest of the airframe manufacturers. Our sales topped the airframe industry seven years running through 1954, and we were second last year. Our sales for the first six months of 1956 totaled more than $400 million—some $37 million more than for the corresponding period of 1955—and net earnings for the period were approximately $14.5 million. Employment in the Seattle and Wichita areas today totals approximately 73,000.

During the first quarter of this year, deliveries of B-52 bombers to the Air Force were delayed by reason of the nonavailability of qualified vendor-furnished equipment; but receipt of qualified equipment during the second quarter enabled the company to resume deliveries. Production on the B-52 program has continued on schedule, and it is anticipated that sales and earnings in the last six months of 1956 will be somewhat higher than in the first six.

Backlog Figures

Our last published backlog figure, representing the unfilled orders on the books, was approximately $2,607,000 as of June 30, 1956, and covers work to be accomplished in the Seattle and Wichita areas.

And how did this backlog of business come about? It is the result of contracts won in the American way, against the keenest of competition.

Now there may be a feeling in some quarters that the Boeing Company, over the years being principally a manufacturer of military aircraft, need merely sit back, relax, and let the dollars and business flow in. Let me assure you otherwise.

There is no question but what we have the keenest type of competition in the commercial jet transport field, and the same has been true with the military.

Take the B-52 program, for instance. We fought for the B-52 as a concept of of strategic bombing and as a production job for half a dozen years, and many times its fate teetered in the balance. True, there is no other manufacturer of the B-52 today competing with us for B-52 business. The B-52 was designed and developed over a number of years, and during that period it had strong competition. One government research group made recommendations in favor of smaller, less expensive bombers. This, in effect, was a second round of a battle fought back in the 1930's when many men of authority considered our B-17 Flying Fortress too large and costly an aircraft. These men did not win out then, and their modern counterparts have not won out today. But even when this latest battle of strategies had been decided, Boeing still faced the competition of the designer of another heavy jet bomber, the Convair B-60. That airplane made its first flight only a few days after the first flight of the YB-52. It is a matter of record that the B-52 finally won the competition, although both companies had a flying experimental airplane; but I assure you that the B-52 had a very competitive life and, as it has in the past, it will in the future be challenged by the products of our competitors. The B-52 will replace the Convair B-36 as the Strategic Air Command's heavy intercontinental bomber. On the other hand, Convair won the award for the first supersonic bomber, the B-58, which might be considered the successor to the Boeing B-47.

The B-47 also was chosen for production only after facing the keenest sort of competition with jet bombers produced by a number of manufacturers. The award of military aircraft business may be due to superiority of design, lower price, ability to produce, speed of deliveries, or a combination of these factors.

The Boeing 707, sometimes referred to as Bill Allen's $16-million gamble, is another illustration that you do not obtain business by being indolent. The background behind the conception and final construction of this airplane is most interesting. Convinced of the need for an airplane of this type to serve the military and the airlines, we began studies in the jet transport field as early as 1946. The military services did not see their way clear to commit for such a project then, and the airlines had their money tied up in the purchase of conventional equipment.

In the Spring of 1952, however, still convinced of the need, and by this time more financially able to conduct an experimental program on our own, our board of directors authorized the design and construction of a flyable prototype jet tanker-transport with company funds.

Another compelling reason that led us to the decision to go ahead was the Boeing Company's vast experience by 1952 on multi-jet aircraft, the B-47. To the best of our knowledge, we had then and have today more experience in wind tunnel and actual flight testing hours on multi-jet swept-wing aircraft than any other company in the world.

Then, too, I think our pride was hurt somewhat in that Great Britain was apparently doing quite well with the jet Comets. We were convinced that, having had more experience, we could build an airplane equally as good if not better. In fact, we had been building them in a military version since the first XB-47 in 1947.

707 Jet Plane

The 707 prototype made its maiden flight on July 15, 1954; and three weeks later the Air Force announced that a limited number of jet tankers to be known as the KC-135 would be purchased. The first of the production airplanes rolled from the factory in Renton, near Seattle, on July 18, 1956, and took to the air for the first time on Aug. 31.

Since the initial report that the Air Force would order KC-135's, it was announced that the total quantity of jet tankers which ultimately would be built would probably result in total business of $700 million. It would appear as if this should constitute a major production program for our company for some years to come.

Here again we have an example of the competition encountered in the aircraft business. The original announcement that the Air Force would buy KC-135's called for the purchase of a "limited number" of the tankers. It did not necessarily guarantee additional orders. Instead, an Air Force jet tanker design competition was conducted; and the Boeing entry was good enough to be ordered into full-scale production.

In the commercial field, undoubtedly you have been watching with interest the spirited competition for acquisition of the jet transport market. Boeing now has orders from 11 airlines—5 domestic and 6 foreign—for a total of 136 of our 707's, and we are advised that our principal competitor has orders for 114 of his entry. Combined, these orders should add up to substantially more than a billion dollars in backlog.

In short, the jet transport market, once almost completely lost to the United States, is back in the fold; and at the risk of sounding immodest, I sincerely believe that this fact is due in some degree to the Boeing Company's spending of $16 million of its own capital for the development and proving of a flying prototype jet transport. The first progeny of this aircraft, the Air Force KC-135 will begin delivery in a few days from now; and commercial deliveries will begin in late 1958, with Pan American World Airways getting the first one.

A $16 Million Investment

The point that should be remembered here is that it took the gross $16 million, which in our case had to be provided from our profits, to make this giant stride possible.

Incidentally, I have frequently been asked just how it feels to ride in the 707. You may recall that about two months ago the airplane landed in Los Angeles after taking all of an hour and 57 minutes to get here from Seattle. I came along on that trip, as did my wife and 15-year-old son, Corky; and frankly, I fully expected that both my wife and I would be asked that same question by some of the numerous reporters who were on hand. Instead they disregarded both of us and made a beeline for young Corky to get his reaction.

Corky used only two enthusiastic words—"It's great!"—but I think they were sufficient for an adequate answer.

The airplane is quiet and vibrationless. It is truly a revelation in travel, but you have to see it and ride in it to believe it. As I mentioned a moment ago, it took us only an hour and 57 minutes for the Seattle-Los Angeles flight, but that was just loafing when compared to the nonstop trip the 707 made about this time last year from Seattle to Washington, D. C. It really gave today's air traveler an idea of what to expect tomorrow on that one. Time for the flight at normal cruising speeds was only 3 hours and 58 minutes, and the average speed 592 miles per hour. Then after 3 hours on the ground back there, it needed only 4 hours and 8 minutes to get the crew back to Seattle in plenty of time for dinner.

Industry Is Competitive and Cost Conscious

Now, there are some who think that because the aircraft industry is doing business primarily with the government, it is a subsidized industry and that there is no real interest in a low-cost, efficient operation. That kind of thinking is a far cry from the truth. As I have pointed out several times, the aircraft industry is highly competitive, as it should be; and we are vitally interested in a low-cost operation as well as in quality and performance. I mentioned that the Air Force decision to standardize on Boeing jet tankers was the result of a design, performance, and cost competition. Competitions of this kind are normal procedure on new models. On occasions, this competition carries through the construction of the prototype model as in the case of our B-52 and Convairs B-60.

It is true that once the model is placed in production, price competiton in the normal sense may not be present. However, as in any other business, we know that if we wish to obtain additional business, we must operate efficiently. Furthermore, the type of contract under which most of our work is performed gives us a very real and tangible incentive to reduce costs.

Most of our production contracts are of the fixed-price type and contain an incentive clause. At the inception or early in the production phase of a contract, we

*An address by Mr. Beall before the Annual Meeting of the State Bank Division of the American Bankers Association, Los Angeles, Oct. 22, 1956.

negotiate with the Air Force cost estimate for the quantity of airplanes under that contract. To this is added our profit margin, which in recent years has been in the neighborhood of 3%. Our net earnings amounted to 3.56 cents per dollar of sales in 1955, and 3.13 cents in 1954. Neither of these figures is final, however. Both must yet be reviewed under the terms of the Renegotiation Act of 1951. Incidentally, net profit as per cent of sales for the aviation industry in 1955 was 3.9 compared with 6.7 for all manufacturing.

When the contract is completed, actual costs are computed; if the actual costs are less than the negotiated estimate, we share in the savings, usually at the rate of 20% and the remainder of the savings, or 80%, goes to reduce the sales price to the government.

Similarly, if the actual costs are more than the negotiated estimate, we share in the overrun in the same ratio. Hence, we have a very definite incentive to reduce our costs. Also, under cost-plus-a-fixed-fee contracts, which are used principally in developmental work where it is difficult to estimate costs accurately, we have an incentive to keep costs at a minimum even though our fee remains fixed. The sooner we can complete a job, the quicker the men and facilities are available to take on additional work and earn additional fees.

Use Less Man Hours Per Pound

In our efforts to reduce and control costs, we are using every available tool that we can find that is applicable to our business. We use time and method studies, labor standards, and budgetary controls. We have an extensive training program, employees' suggestion system, and an incentive compensation plan which covers substantially all members of management. These are just a few of the things we are doing to improve efficiency and control costs. Notwithstanding the increased complexity and the more rigid tolerances, we are building today's airplanes for less man-hours per pound than we expended in building airplanes during World War II at the same point in the production curve.

Another factor which has contributed to our good cost performance is the very good labor relations which prevail in both the Wichita and Seattle areas. We have given a great deal of attention to the human relations aspect of our business in recent years; and there is no doubt that this is paying off, for both the company and our employees.

In short, our objective is to develop cost consciousness at every level of employment and to provide timely information to employees as to how their actual performance is coming as compared with predetermined goals.

An example of what has been accomplished in cost reduction lies in the B-47 program at Wichita. The 1,000th B-47 which was rolled out the door there in October of 1954 required less than 8% of the man-hours required for the first unit. This means that if the first unit required 100,000 man-hours, the 1,000 unit required only 8,000. Similar cost reductions were accomplished on the KC-97 program which phased out earlier this year, and are now being accomplished on the B-52 program.

Cost reduction, of course, has its effect on earnings and financial strength; and it is only fitting that consideration be given the disposition that has been made of the earnings that have been realized. The aircraft industry generally and the Boeing Company in particular have been paying out less in the form of dividends than does industry as a whole. Boeing has been paying out, on the average, about 30% of its earnings in the form of cash dividends. The other 70% has been plowed back into the business.

At present, the Boeing Company plans to spend more than $100 million for new facilities through 1958. This programmed expenditure is in addition to the nearly $35 million spent in the past six years. I might point out that Boeing is not alone in plowing back earnings. Altogether, the nation's aircraft industry has invested more than $1 billion of its own earnings for facilities, research, and testing since World War II, and is planning to spend another $1 billion in the next five years.

We do not argue, however, that an industry should supply all of the facilities required during periods of greatly expanded production for the government. We think it is proper that the government should own and provide stand-by plants. We do believe that it is desirable for a company such as ours to own at least one integrated plant. Although our relationship with the military has been good, failure to have complete ownership and control of an integrated plant places restrictions upon the operations of the company which, in my opinion, are unhealthy for both the industry and the military establishment. If private enterprise and individual initiative are to produce the best results, then the industry must strive for control of the facilities which are essential to autonomous operation.

What the Future Will Hold

So much for financial talk. Let's now attempt a look into what the future might hold, and frankly, I believe the future of aviation is coming at us so fast that my inclination is to duck. Pilotless Aircraft are a reality, an earth satellite is just around the corner, and I am convinced that we could land a rocket on the moon within 10 years if we chose. It's a very safe bet that the next 40 years will see the old saying of "What goes up must come down" disproved. Some things that go up will not come down—not down to this earth, at least.

The present rapid progress of aviation has its roots in military necessity. We repeatedly demonstrate by the machines we contrive that we are getting smarter all the time. My greatest hope is

Continued on page 33

Prosperity Depends on Energy

By EUGENE HOLMAN*

Chairman of the Board, Standard Oil Company of New Jersey

Asserting that "the age of energy still lies ahead of us," and that free world's high living standard and security will depend upon energy from oil in the foreseeable future, despite coal and atomic expectations, Mr. Holman believes this energy can be supplied providing we maintain the managerial and technical key to productivity. Includes as requirements for this: (1) not scientific answers so much as economic, social and political answers, aided by proper educational system, free society, and flow of fresh, uninhibited talent; (2) peace; (3) international trade, and (4) confidence in government which stimulates private investment.

As a man who has spent most of his life in the oil business here and abroad, I should like to lay before you two conclusions. Let me state them in their simplest terms:

Eugene Holman

(1) Men have discovered the key to productivity. That key is the managerial and technical ability to release and harness the gigantic force of natural energy. It is a key which has opened the door to standards of living undreamed of by our forefathers.

(2) Progress from where we now are—and the rate of that progress—will depend upon our ability to multiply this productivity—to apply this key on a world scale. The technical problems to be overcome can be solved. The most difficult problems are political, economic, and social.

To those of us engaged in finding, refining, and marketing oil, the first of these conclusions seems obvious. But all of us need to be reminded of the historic change which has taken place with respect to the world's use of energy in just the past 100 years. It is estimated, for example, that during the past century the people of this earth consumed at least half as much energy as they did in all the preceding 18½ centuries since the beginning of the Christian era; and it is certain that the rate of consumption will increase in the years ahead.

The speed at which the age of energy has developed will be suggested when we remember that, as recently as 1880, the major source of energy, except for that produced in the muscles of men and animals, was still wood.

It is astonishing but true that as recently as 1939 more energy throughout the world was obtained from burning farm wastes than from burning petroleum.

History demonstrates clearly that the material well-being of the people in any nation is closely related to their per capita consumption of energy. It is the energy of fuels which has made mass production possible—which has provided large scale transportation—which is permitting millions of people today to have heat and cold at will in any climate. Certainly it has been the energy of fuels which has been the foundation of our own amazing growth as a nation.

European Oil Consumption Outlook

The importance of energy consumption became very clear at the end of World War II, when coal mining in Western European countries was at a virtual standstill and many of the big hydroelectric plants had been damaged or destroyed. The economies of those nations were near paralysis. They were energy-starved.

It was energy which brought them back to vigorous life. Marshall Plan aid and private investment, both European and American, helped to rebuild existing energy resources—chiefly coal and water power. But the energy need was greater than these sources could fill; and Western Europe, therefore, turned increasingly to oil. Between 1946 and 1950, her consumption of petroleum went up 90%. She built up a refining capacity of 900-million barrels a year—six times the prewar figure.

As a result, European industry a decade after the war was able to produce 60% more in goods and services than in the prewar year of 1938.

While the growth of energy consumption has been astonishing when we look back, the future may be more astonishing. For example, it has recently been officially forecast by the Oil Committee of the 17-nation Organization for European Economic Cooperation that Europe's 1960 oil demand will jump 53% over 1955.

Certainly there is a demand among the peoples of the world for the higher standards of living they believe possible.

Living Standards to Depend on Oil

It seems to be true that a far greater use of energy throughout the world is absolutely necessary if the living standards of millions of people are to be raised substantially. Furthermore, it seems likely that a large part of this energy is going to come of necessity from the efficient production and application of petroleum. It is now expected that sometime between 1970 and 1975 the rest of the free world will be using, for the first time, more petroleum than this country. Moreover, it is now clear that, for the United States alone, oil plus gas will be called upon to provide more than 70% of all our energy requirements within the next 20 years. I do not underestimate the potentialities of coal and the unexplored possibilities of the atom. But it does seem certain that higher standards of living and the security of the free world will depend upon energy from oil for the foreseeable future.

I am confident that it is physically possible for the oil to be found, produced, refined, transported. While the technical problems to be solved are many and sizeable, the more difficult problems are economic and political, and I feel justified in discussing them with you as bankers and as people interested in trade at home and abroad.

The first of these economic problems involves our productivity, a term used to often in a limited technical sense to be properly expressive of the requirement for energy I am talking about here. In fact, it applies to our whole industrial machine. I conceive of productivity as being that achievement by which the sum of our goods and services is not only increased, but works more effectively for the welfare of all our people. It is bringing about an abundance of the things that make for a better life, a higher standard of living, greater real wealth for the whole of the nation. It is contributed to by capital and technology, labor and management. No one group has a special claim on its benefits.

Progress in the direction we all want to go will depend upon the political, economic, and social climate most conducive to releasing the capital, the managerial ability, and the ingenuity of millions of individual human beings to harness the boundless natural energy of the world. This is the second conclusion I mentioned at the outset.

Stresses Education of Highest Order

I do not propose to try to list all of the characteristics of a favorable climate. But there are a few requirements which seem to me basic. At the top of the list, the use of energy on an expanding scale requires of any nation a large-scale educational system of the highest order.

The production of fuel, its refining, and its application in homes, ships, on farms, and highways and railroads, require managers, scientists, engineers, and other people at many levels of competence and training.

As one practical example, American oil companies working abroad would like very much to be able to draw more heavily than they now do upon the nationals of countries in which they operate for managerial people and technicians. We have need for more managerial and scientific leadership at home and abroad.

But the importance of education goes far beyond the need for technically trained people. The fact is, I think, that a creative society must be a free society—and this means it must be built upon a population of men and women who are broadly educated to manage their own affairs. For the job of harnessing natural energy to improve standards of living and cultures is not an isolated technical problem. The only sure guaranty of progress comes from helping millions of individuals to arrive at their maximum potential, giving them all the room in the world to venture, to express themselves, to turn loose their initiative and ingenuity.

Flow of Uninhibited, Creative Talent

Democracies have become strong because they make the most of this human instinct for uninhibited experiment. This strength is revealed in all areas of American life. You and I note it particularly in business and industry, where this restless experimentation produces the managers of our enterprises. American business men are now investing at a gross rate of almost $40-billion a year for the renewal and expansion of plant in the United States. The necessary leadership to use this capital productively must be produced if we are to continue the growth and progress in our free economy.

It therefore seems to me a requirement for any nation which turns to the harnessing of energy for a better life for its people that it provide for a constant flow of fresh talent into the streams of the nation's life—continuing generations of people given every opportunity for their own education and their own advancement as they develop their opportunities in their own way. This takes time, but there are no short-cuts. There are no regulations, government controls, restrictions, and planning that can substitute for the benefits of the free economy under the leadership of managers educated to be effective as free men.

Another need we face as we move ahead in the age of energy is **an increasing awareness of the importance of international trade** —perhaps especially here in the United States.

Importance of International Trade

Those of us in the petroleum industry are naturally concerned about the international flow of oil. Oil is often found in parts of the world far from where it can be marketed. That means it must be imported by most nations. They need foreign exchange to do so. That is one of Europe's problems today.

We in this country have been in a fortunate position because we have had oil aplenty in our own backyard. But as the United States looks ahead, it faces the likelihood of becoming increasingly an importer of oil. The demands made upon our own domestic petroleum industry will be very great—ample to keep it vigorous and healthy. But it seems to me in the national interest to meet some of our great and growing oil needs from the prolific resources outside our own borders.

Of course, it is not only fuels that must move across international borders. Other goods must, also. Blessed as we are in this country, we ourselves require raw materials not to be found within our borders. This is true of all nations. We need, in turn, overseas markets for our products. Other nations do, too, if they are to balance their books and stay healthy. No country today can look forward to economic health in isolation.

Still another vital need for an expanding world economy is that kind of integrity in governments which encourages confidence.

Confidence in Government

It is essential, for example, that governments be willing to make and honor long term contracts. To organize for a much greater use of energy, the world must have governments that are consistent, reliable, and responsible—not only in their dealings with their own citizens, but in dealings with each other and with each other's citizens.

We are living in a time of political unrest and revolutionary change in many parts of the world. Change is a law of life. But what is disturbing is evidence now and then of a drift backward in civilization to the old notion that agreements are merely scraps of paper. The world cannot be organized for its own good on any such foundation of irresponsibility. We must be able to rely upon each other's word. There is no other principle on which people and nations can work together for progress and their mutual benefit.

The practical force of this lies in the fact that the goal of economic betterment of mankind we are discussing must involve great and continuing private efforts and financial commitments. Government-to-government flow of capital has played, and can continue to play, an important part—particularly at critical turning points. But, in the long run, the job can be done only by relying on private investment, not the taxpayer, as a source of capital. The maximum stimulation to the economic growth of a country comes from the risk of private capital, from investors inside and outside the country.

But private management cannot, and ought not, to risk such investments without an underlying confidence that today's agreements will be honored tomorrow. Every major decision that an investor makes is, in a sense, a bet on the future. That necessarily involves trust and good faith. While it is true that capital and business men generally are not timid, nevertheless they must have assurance that ground rules are not going to be changed halfway through the game. American capital wants no preferred position, no advantage over the nationals of the host country. What is good for the people of the host country is good for the American investor. Surely, good faith on the part of a government in its dealings with investors can be equally and beneficially offered to its own citizens as well as its guests.

Importance of Gross Private Investment

The book value of U. S. private investment abroad today is in the order of $30-billion, but its impact is greatly underestimated. The reason is that U. S. foreign investment is often reported only in net figures. There are many kinds of investments that are not included in such net figures—outlays for renewals of plant, for example. Actually, renewals of plant contribute just as effectively to economic growth as do expansions of plant. The renewals are never simply replacements. They are always improvements in the capital employed. We should therefore focus our attention on the gross investment. It is the gross investment abroad—as in the United States—which carries with it the initiative, the managerial skill, and technical knowledge characteristic of private investment.

You can get some idea of the disparity between gross and net figures when you compare the published figures of only $679-million as the net outflow in 1955 of all U. S. direct private investments abroad with the approximately $700-million which my own company alone is planning to risk abroad this year in the search for oil and for the expansion and renewal of plant and equipment. This is, of course, just a fraction of the oil investment abroad; and that, in turn, is a fraction of the total risked by U. S. investors.

Although detailed gross figures are not available, which may seem strange, it is certain that gross private investment abroad has for several years been larger than the $2.5-billion annual total of the U. S. government economic assistance to foreign countries. It is quite possible that even $4.5-billion annual total of all assistance, including military aid, is now exceeded by our gross private investment abroad each year.

Our own government has recognized the need for removing hindrances to investment abroad, even though important legislative steps are still to be taken. The major factor affecting interna-

*An address by Mr. Holman before the First General Session of the 82nd Annual Convention of the American Bankers Association, Los Angeles, Oct. [illegible]

tional flow of private investment and know-how will continue to be, however, the policies of the countries where they are invited. Governments which hope to attract outside capital must create a climate of trust and confidence by stable and responsible actions.

I have saved to the last—because it is most important—another element in the make-up of a climate conducive to opportunity for millions of people, which I want to mention. It is peace. All that we have been discussing depends upon peace.

Peace Is Our Business

That is, of course, a responsibility which lies with governments and their leaders; but those of us in banking and industry have important roles to play.

It is, for example, a primary concern of the people of my own company, as they go about their business in all countries, to work toward understanding and against conflict. An important consideration in the selection of management people for our affiliated companies around the world has been their ability to understand and respect the beliefs, customs, and circumstances of others, while trying to arrive at practical arrangements under which the work of the world can go on. It has always been the policy of our company—and I am sure of most other American companies — to stay out of politics in the countries where we are guests. Foreign affairs are not our business.

But peace is our business everywhere. It must be so. What the petroleum industry constantly seeks is markets, and a first-class market for an oil marketing company is a nation which has a very large number of prosperous people. The United States is an ideal market, not because it has a hundred people or so with incomes over $1 million a year (before taxes) but because it has more than 52 million families averaging above $5,500 a year—able to own more than 37 million automobiles and more than 28 million homes, and to have total savings of $240 billion. It is prosperous millions an oil company wants—not just a few millionaires. Energy consumption is hurt, not helped, by conflict—and energy consumption is greatest in peaceful lands where the largest numbers of people are prospering.

The problems in this area are not by any means negligible. There are forces everywhere anxious to foment trouble between American companies and the countries where they do business. There are forces anxious to create division among the nations of the free world. One of the prime targets in the Middle East is American and British interests. I think it is a high tribute to the British and American leadership that these trouble-making efforts have not, on the whole, caused more serious harm.

Summary Conclusions

So, restated, the two conclusions which I lay before you today are: First, the world's demand for energy has grown tremendously over the years, but in many respects the age of energy still lies ahead of us. A very great gain in the standards of living of the world is possible through a broader, more efficient use of energy—more particularly, the energy that is available in oil.

This energy can be supplied—in the sense that we know how to tackle the problems of discovery, production, refining, transportation, and utilization, and probably to solve them better as we go along and increase our productivity.

Second, what any nation moving into the age of energy requires is not scientific answers so much as it is economic, social, and political answers.

Among the basic requirements is an educational system of the highest order—one which can provide not only managers and scientists and engineers, but a constant flow of fresh talent of all kinds into the streams of a nation's life, generation after generation of new people making their contributions in their own ways to a more abundant and free life.

Associated with this policy of production and freedom, there is needed an awareness of the importance of international trade and programs which ease its flow.

It is essential that government policies and actions merit the kind of confidence which stimulates private investment.

And, finally, peace.

Granted these things, a new era of opportunity and hope is opened to the peoples of the whole world.

That is a large order—but the potentialities of this productive age of energy are very great indeed.

Allen Adds Two

(Special to The Financial Chronicle)

DENVER, Colo.—Lawrence O. Brown and John C. Salisbury have become affiliated with Allen Investment Company, Mile High Center.

Two With Colo. Inv.

(Special to The Financial Chronicle)

DENVER, Colo.—Clifford F. S. Bebell and John L. Park have become connected with Colorado Investment Co., Inc., 409 Seventeenth Street.

With Hamilton M'gement

(Special to The Financial Chronicle)

DENVER, Colo. — Floyd A. Bretnour, Richard M. Hileman, J. John Oya, Ernest S. Peyton, William B. Russell, Jr., Warren W. Wickham and Henry F. Zielinski have been added to the staff of Hamilton Management Corporation, 445 Grant Street.

Nelson D. Ginther Forms Own Company

(Special to The Financial Chronicle)

CLEVELAND, Ohio—Nelson D. Ginther has formed Ginther & Company with offices in the Union Commerce Building, to engage in the investment business. Mr. Ginther was formerly a partner in Ginther, Johnston & Co.

Merrill Lynch Adds

(Special to The Financial Chronicle)

LOS ANGELES, Calif.—Lee A. Andrews, James M. Briggs, Mark E. Coates, Robert A. Haupt, John H. Kelley, Charles B. McPhee, Duane D. Mowry, Samuel S. Sewall, F. William Sohle and Richard H. Vertlieb have joined the staff of Merrill Lynch, Pierce, Fenner & Beane, 523 West Sixth Street.

Two With S. B. Franklin

(Special to The Financial Chronicle)

LOS ANGELES, Calif. — Pete Iniguez and Chester Sheets have become affiliated with Samuel B. Franklin & Company, 215 West 7th Street.

Today's National Bank System

By RAY M. GIDNEY*

Comptroller of the Currency

Federal administrator of National Banks reminds bankers that self-restraint during this "tremendously important year in the banking world" is required, as is whole-hearted support of Federal Reserve efforts. Mr. Gidney announces that the Congressional Committee looking into the need for Federal banking laws is expected to hold hearings early in 1957. Some of the national banking bills suggested include: (1) allowing banks to contribute to education; (2) permitting loans on leasebacks which still have 10 years to run beyond loan's maturity date; and (3) not classifying as real estate loans those made to industrial and commercial building for up to 18 months, and working capital loans to manufacturing or industrial firms secured by liens on physical property, including plant real estate.

Nationwide, our national bank system continues to maintain its place in the dual banking system. National banks have approximately 47% of banking resources in the commercial and savings banks of the nation, and 54% of the commercial banking resources. They are a tremendously important part of the national economic machine, and are doing an ever better job in meeting their responsibilities. Proud as we are of our national banks, we know that it is not the system that makes a bank, but the men behind it. Good management can run a good bank whether under one jurisdiction or another. We like to think that our national bank managements measure up and that they are keeping the pace. We must see that they do.

Ray M. Gidney

As a matter of interest, I am providing with these remarks data on the number of banks and branches in all States, as of different dates. California leads in number of branches, closely followed by New York State.

Self-Restraint in an Important Banking Year

I do not need to tell you that this is a tremendously important year in the banking world, for the problems brought to the banks by the extensive activities in all fields make the problems of the banks stupendous. We are seeing a demonstration of the law of supply and demand such as comes only under conditions of maximum activity. This brings an almost overwhelming demand for money and for goods, materials, and services. This demand presses upon a very large supply of money, credit, and things, but presses so insistently that the supply is made to seem less than fully adequate.

Under such conditions and circumstances, there must be some measure of self-restraint, and of supervisory restraints if we are to avoid developments which would carry us into the disaster of unbridled inflation and its aftermath—depression. The efforts of the Federal Reserve System to discharge its functions in this situation have been admirable, I believe you will agree. I know you appreciate just what is taking place, and I am confident that you will take a sound position on your own account and support wholeheartedly the efforts of the Federal Reserve System to meet its responsibilities. I should like to read to you the statement on this subject of world-wide interest and importance made by the Secretary of the Treasury, The Honorable George M. Humphrey, in speaking on Sept. 24, 1956, at the Opening Joint Session of Boards of Governors of the International Monetary Fund and the International Bank for Reconstruction and Development. I cannot bring the matter to your attention more clearly than by quoting the Secretary's words, which are of historical value, and should be taken to heart:

"It might seem surprising that peace and prosperity should cause trouble for Finance Ministers and central bank Governors. These present troubles of ours are much more bearable than those of depression or war. They are, nevertheless, very real.

"These problems arise from the insistent and conflicting demand on available resources in each country. The question, in a few words, is how to finance both needed defense and high prosperity without inflation.

"It is our task to balance the demands for defense, high consumption, and for further economic development, against available resources. We have to steer as best we can the difficult and often unmarked channel between the whirlpool of inflation and the rocks of deflation.

"We who are gathered here—Ministers of Finance and central bank Governors — have a very special responsibility to the people of our countries. We are the trustees of the value of our people's work and skill, which is to say, the value of their money. We are responsible for the value of their wages and salaries, their savings accounts, their pensions and insurance policies, and the other investments they make to provide for the future. This is a sobering responsibility and trusteeship. The average citizen cannot defend himself against the terrible hardships of inflation.

"Inflation brings with it grave social injustices and instability. It destroys not only the value of savings but also confidence, and security, and social values. Inflation is the cruelest form of theft—a theft with greatest harm to those least able to protect themselves. Inflation results in the destruction of the value of money. It is attractive only to those unwise politicians and others who are willing to sacrifice long-term good for unreal but falsely apparent immediate gain.

"We here have a special trusteeship, additionally, because inflation destroys the incentive to save and to invest funds. Without such saving and investment in productive enterprise, we cannot have the growing and dynamic economies from which can come more and better jobs, and higher standards of living for our growing populations.

"It is far too little realized what an important contribution good money—money which people can trust—makes to the soundness of a nation. Confidence in the value of money is one of the greatest spurs to economic progress because it is an incentive to save, and it is our peoples' savings over the years—large and small savings alike—which have built up our countries.

"This is the trusteeship which we have—to avoid inflation. In this we are the trustees of the people and the future of our countries. We are the trustees for continued growth and continued peace and prosperity of our people.

"We in the United States responsible for the government's financial and economic policies have tried to continue to discharge wisely this trusteeship and this responsibility. We have brought the budget into balance. We have freed the economy from artificial restraints and allowed monetary policy to operate for the public good. We can fairly report that although we are not free from problems, we have had substantial success. Employment is at the highest level in our history. National production is establishing new records. The cost of living has moved within a very narrow range. Confidence is high and savings are growing. This job of nourishing a dynamic U. S. economy, while also maintaining the U. S. dollar as a strong and reliable currency in the world, must be carried forward. This is not only a duty to ourselves; it is an important contribution to all of you, our friends from abroad."

Congressional Committee on Bank Law Revision

A very important development in which you will be interested is the legislative program in the U. S. Senate Committee on Banking and Currency to bring about needed revision of Federal banking laws. The Chairman of the Committee is The Honorable J. W. Fulbright, United States Senator from Arkansas; and the Chairman of the Subcommittee which is working on this matter is The Honorable A. Willis Robertson, United States Senator from Virginia. The Federal supervisory agencies are endeavoring to give full assistance. A very fine Advisory Committee has been named by the Committee on Banking and Currency, consisting of the following:

Kenton R. Cravens (Chairman), President, Mercantile Trust Company, St. Louis, Mo.; former Administrator, Reconstruction Finance Corporation.

Joseph A. Broderick, Chairman of the Board, East River Savings Bank, New York, N. Y.; former member Federal Reserve Board; former Superintendent of Banks of New York.

W. J. Bryan, Vice-President, Third National Bank, Nashville, Tenn.; Past President, Independent Bankers Association.

Henry A. Bubb, President, Capital Federal Savings and Loan Association, Topeka, Kan.; Past President, United States Savings and Loan League.

Lester V. Chandler, Professor, Department of Economics, Princeton University, Princeton, N. J.

C. Francis Cocke, Chairman of the Board, First National Exchange Bank of Roanoke, Roanoke, Va.; Past President of American Bankers Association; Past President of the Virginia Bankers Association.

Maxwell F. Eveleth, Sr., Vice-President and Cashier, Ocean National Bank, Kennebunk, Me.

Reese H. Harris, Jr., Senior Vice-President, Connecticut Bank and Trust Company, Hartford, Conn.; former Counsel, Connecticut Bankers Association.

Theodore Herz, partner, Price, Waterhouse & Co., Washington, D. C.; former Staff Director of First Hoover Commission Task Force on Lending Agencies.

Reed E. Holt, Executive Vice-President, Walker Bank and Trust Co., Salt Lake City, Utah.

Norris O. Johnson, Vice-President, First National City Bank, New York, N. Y.; former Manager, Research Department, New York Federal Reserve Bank; Past President, American Finance Association.

Vivian Johnson, President, First National Bank, Cedar Falls, Iowa; Board Member of Chicago Federal Reserve Bank; Past President, Iowa Bankers Association.

Homer J. Livingston, President, First National Bank of Chicago, Chicago, Ill.; Past President, American Bankers Association.

C. Ward Macy, Chairman, Department of Economics, University of Oregon, Eugene, Ore.; Past President, Midwest Economic Association.

John J. McCloy, Chairman of the Board, The Chase Manhattan Bank, New York, New York; Former President, International Bank for Reconstruction and Development.

Edwin P. Messick, Executive Vice-President, First National Bank and Trust Company of Milford, Milford, Delaware; President, Delaware Bankers Association.

W. Franklin Morrison, Executive Vice-President, First Federal Savings and Loan Association, Washington, D. C.; Vice-President, National Savings and Loan League.

Joseph M. Naughton, President, Second National Bank of Cumberland, Cumberland, Maryland.

Robert L. Oare, Chairman of the Board, First Bank and Trust Company of South Bend, South Bend, Indiana; Past President, American Finance Conference.

William W. Pratt, Executive Director, Pennsylvania Credit Union League, Harrisburg, Pennsylvania; Past President, Credit Union National Association.

Everett D. Reese, Chairman of the Board, The Park National Bank of Newark, Newark, Ohio, and the First National Bank of Cambridge, Cambridge, Ohio; Past President, American Bankers Association; Past President, Ohio Bankers Association.

J. V. Satterfield, Jr., President, First National Bank of Little Rock, Little Rock, Arkansas; Director, Little Rock Branch, Federal Reserve Bank of St. Louis.

James E. Shelton, Chairman of the Board, Security-First National Bank of Los Angeles, Los Angeles, California; Past President, American Bankers Association; Past President, California Bankers Association.

M. B. Sprague, President, First National Bank of Huntsville, Huntsville, Alabama.

J. Cameron Thomson, Chairman of the Board, Northwest Bancorporation, Minneapolis, Minnesota; Vice-Chairman, Research and Policy Committee, Committee for Economic Development.

William W. Whiteman, Jr., President, Oklahoma Industrial Finance Corporation and Credit Service Loans Company, Oklahoma City, Oklahoma.

Ben H. Wooten, President, First National Bank in Dallas, Dallas, Texas; President, Dallas Clearing House Association; Former President and Chairman of the Board, Federal Home Loan Bank of Little Rock.

We were asked to put in our recommendations on Oct. 1 and that was done. We had to work fast to get them ready, but we think they are along the right lines.

Hearings Early in 1957

We understand that we shall have opportunity to discuss these proposals with the Advisory Committee, that the legislation will be introduced in the 85th Congress which convenes next January, and that there will be hearings early in 1957. We are optimistic that much will be accomplished along lines that are desirable and constructive.

Our office has been cooperating closely with your Division in matters of legislation, and a good deal has been accomplished in the enactment of helpful changes. When I talked to you last year, we were hoping to obtain a bill which would permit greater flexibility in our examination schedule and a bill changing the rules for residence of national bank directors. They have been enacted into law. A bill in which you were interested, and which we supported, to make cumulative voting for election of directors of national banks optional instead of mandatory failed of enactment, but it will undoubtedly come up in the new Congress. The Bank Holding Company bill, which I told you was favored by our office was enacted. We consider it a good bill on the whole and shall be keenly interested in the way it works out in practice.

Banking Bills Proposed

The matter of legislation is of such great importance to the National Bank Division that I am going to devote the remainder of my talk to telling you something of what we are proposing to the Senate Committee. We hope that you will back up your Washington representatives in their efforts to see that the legislation is actually desirable and beneficial to the interest of banking and of the country. Also that you will let us know if you think we are on the right track or otherwise in regard to any recommendations. We have had to work under great pressure to prepare our recommendations but have about fifty items included in our list. Many of these are simple changes designed to remove from the law, or adjust to present-day facts, provisions which are no longer applicable, or which need slight adjustments. These involve little or no material change which should invite controversy. We are not suggesting the elimination of the dormant provisions for issuance of national bank notes even though this provision is inoperative because of the lack of United States Bonds bearing the circulation privilege. This provision of law is a distinctive feature of national bank his-

Continued on page 40

*An address by Mr. Gidney before the 82nd Annual Convention of the American Bankers Association, Los Angeles, Oct. 22, 1956.

Continued from page 20

Banking: Past, Present, Future

ers today is the credit situation. The past year has witnessed one of the strongest pressures of demand for capital and credit ever experienced in our economy. Capital expenditures of industry are at a record rate; business inventories are at an all-time high; and consumer and real estate mortgage credit are moving steadily upward, although at a pace slackened from 1955.

Stricter Loan Test During Tight Credit

The presence of these credit demands in an economy operating at or near capacity in all but a few areas has necessitated the balancing influence of a policy of credit restraint on the part of the Federal Reserve System. Interest rates have moved rather consistently higher; and banks, insurance companies, and other lenders have been hard pressed to meet the demands for credit. That is the way it should be under prevailing conditions, because unshackled credit reins in a period such as the present could produce only disastrous speculation, inflation, and subsequent collapse.

It should be clearly understood, however, that credit restraint does not imply that worthy credit has or will become unavailable. It does imply that when credit is sought, a stricter test of its usefulness and purposes might be required of borrowers. In this respect, bankers have an important responsibility. They must apply conservative but realistic standards to their loans. They must not be carried away by a prosperity fever to the point where they might fail to take into consideration that inevitable changes of the future will have a bearing upon the financial status of some borrowers. Bankers should be confident and courageous, but this confidence and courage should be tempered by the solid conservatism that is the very foundation of American banking.

Worthy Credit Needs Are Met

Another responsibility of great importance today is that of helping to clarify the meaning of credit restraint. Bankers should make it clear to their customers and to the public in general that tight money does not mean that the credit wheels have stopped; it does not mean that discrimination is being invoked against any particular class of worthy borrowers—large or small; business or personal; in production, distribution, or consumption. Rather, it does mean that the efforts of banks—along with the responsible monetary authorities — are being directed under existing conditions toward safeguarding the strength of the credit structure, thereby making credit the servant — and not the master—of the country's economic fortunes.

We should take every opportunity to spread the message that banking will continue to meet the worthy requirements of all business, and particularly will it meet the requirements of small and medium-sized businesses. That is essential to the welfare of our country. Banking will also continue to serve government, agriculture, labor, and the professions, as well as all other worthy elements of the American economy.

Conscientious performance of this responsibility for explaining credit restraint to the public, together with our continued willingness and ability to serve the public, will reinforce the finest traditions of banking, and help to preserve—at least from the financial viewpoint—the base for continued prosperity and sound economic growth.

Maintain Money Soundness and Real Economic Growth

Still, we cannot expect to do the job alone. All responsible groups, both in government and private life, must work together to maintain the integrity and soundness of our money and thereby preserve the value of the savings of all Americans in every walk of life.

Your Association over the past year has carried this message forward, and it is my sincere hope that it will continue to do so in the period ahead. This tremendous expansion our economy is experiencing is no passing phenomenon. It is rooted in scientific and technological advance, population growth, and a rising standard of living. Therefore, the challenge of the future for our banks will be to display a vitality and progressiveness which will enable them to make a maximum contribution to that growth on a sound basis. We can expect to experience continuing demand for capital and credit, and should be prepared to meet it within the framework of policies geared to the preservation of stability, which requires the avoidance of both inflation and deflation.

Build Up Capital Strength

An important factor in our preparedness to serve future credit demand is the capital strength of our banks. Over the past couple of years, investors have come to view shares of banks in a more favorable light. They foresee great potentialities for banking in an economy that is expanding rapidly. It just makes good sense, therefore, for us to augment our capital funds at a time when the investment market makes it feasible. In order to maintain a dynamic and forward-looking attitude, we should consider our capital positions as a source of fundamental strength. Banking should take the long range view and should build its equity investment in anticipation of the needs of a growing economy.

Preparation for the years ahead also requires careful attention today to the problem of management succession. Our Association activity in this important field has been stepped up, but much more must be done. Over the past year or more, the message of the need for developing future leadership in banking has been sounded through our Association; but it bears repeating over and over. Thoughtful bank management should constantly keep this in mind.

Banking is immersed in human relations. It serves people, and it needs people—capable people—if it is to function properly. At the heart of this function is management. It must insure the efficient and profitable operation of our banks. Those of us in top management today should safeguard the future of our institutions with the caliber of management successors who can fulfil the highest ideals of service, progress, and sound operation. No bank can expect to grow and prosper if it fails to do so.

Now I should like to comment on the reports of our Association's working groups. Bankers throughout the country are serving on the committees, commissions, councils, divisions, departments, and sections of the Association These reports reveal the broad complexity of the problem that face our institutions today. It is these working groups — bankers who unselfishly devote their time and talents to the solution of the manifold problems that confront banking—which give this Association its vitality, prestige, and usefulness. Our membership owes to these men a debt of gratitude, which I am happy to acknowledge officially at this time.

Finally, in this highly competitive and expanding economy, bankers should keep these things in mind: they should be aggressive and forward-looking, but only in the traditions of a conservatism which will insure sound standards of safety and the best quality of service to the public; at the same time, they should always have appropriate consideration for the well-being of their employees and for safeguarding the investment of shareholders.

Banking should also be in the forefront of personal service to our government, and to our institutions and organizations devoted to the welfare of people.

If we proceed along these lines, the future of American banking will be promising and rewarding. I have an abiding faith and confidence that banking will fully measure up to its opportunities and responsibilities, and that it will do so as an integral part of our wonderful American system of free enterprise.

Ross W. Smith Opens

NORTH BERGEN, N. J.—Ross W. Smith is engaging in a securities business from office at 8110 Fifth Avenue.

Tunick Opens Office

BROOKLYN, N. Y.—Richard S. Tunick & Co. has been formed with offices at 1 Tennis Court to engage in a securities business. Partners are Richard S. Tunick and Pommy P. Tunick.

Can We Solve the Farm Income Problem?

By DR. O. B. JESNESS*

Head of the Department of Agricultural Economics, University of Minnesota

Minnesota Agricultural Economist contends farm income problem can be solved whenever "we are ready to face the actual problems and apply the specific remedies needed." Dr. Jesness attributes existing difficulties to—and explains the reasons for—supplies having outdistanced markets. Rather than plow-under surplus land and people, writer suggests retiring some land out of production, and attracting some farm people to better opportunities elsewhere. Denies that increase in average farm size causes "family farms" to disappear, or that corporation farming is increasing. Advises against sudden return to marketplace, and prefers governmental corrective rather than ameliorative action.

Dr. O. B. Jesness

The sag in farm prices from war levels without a corresponding fall in farm costs has resulted in a smaller net income for farmers during a period when the national income and the incomes of many other lines have continued to climb. In short, there is a farm income problem. The question posed in the title of this discussion is focused on whether any solution is available and on whether we are ready and willing to apply that solution.

Are farmers, as some say, experiencing a depression? The answer clearly is negative if the implication is that depression is the cause. This is not the early 1930's. If it were, then we would be doing things to stimulate employment and activity. Public works projects would be taken off the shelf. Programs to distribute food and increase buying power have the inside track. Deficit budgets would be accepted as needed stimulants to recovery. Monetary policy would be one of easing credit rather than a tight rein to curb inflationary forces. Arguments for lower taxes would be very persuasive. But as you well know, this is not a picture of today's economy. Employment activity and national incomes are at high levels. We are concerned about inflationary dangers and accept, as logical, brakes on credit and money supply.

Granting that it is in the farmer's interest to find and develop real markets for farm products wherever they may be, this is not the major solution of the farm income problem today. A decided lowering of prices which farmers pay, if it could be accomplished other than by wholesale deflation leading to depression and unemployment, would improve the net position of farmers. But this would be impossible without sharp cuts in the wage structure, an unacceptable solution.

The current situation is not due to depression. It is not caused by loss of markets. To be sure, our exports of some farm commodities are well below postwar peaks; but these were abnormal levels made possible by generous giving, rather than by normal trading. The farm income problem is primarily a consequence of production in some farm products having outrun the markets available—even at a time of comparatively strong demand.

Why Supplies Outdistanced Markets

There are several reasons why supplies have outdistanced markets for some products. Carryover of war-induced expansion is one. Acres seeded to wheat were at a 50-to 60-million level before the war but climbed to a peak of 84-million in 1949 to meet the world needs. While acre allotments and quotas have brought harvests more nearly in line with outlets, the stocks accumulating during the several years of overexpansion remain burdensome. Moreover, the acres kept out of wheat have been used for feed grains, with a resulting accumulation there. In short, the surplus has been spread rather than remedied by these controls. Cheese and dry skim milk were other products for which considerable war expansion was encouraged. As members of this audience well know, farmers expand output to meet special needs more readily than it is possible for them to contract when the need has passed.

A more general and widespread surplus creator is the increasing productivity of agriculture which has been manifested especially during and since the war. Mechanization and application of improved technology and management on farms have brought this result. American farms are producing more and more with less and less farm labor. Increasing productivity is a blessing, not a curse; but it does bring in its wake problems of adjustment which tend to be particularly knotty ones in an industry made up of individually operated, comparatively small producing units.

While the effect is not subject to specific measurement, support prices at incentive levels for crops in surplus undoubtedly have encouraged more intensive production on acres left available for such crops.

Government farm programs have concentrated on prices as the way of easing the farm income problem. Price supports as we know them today had their inception in the depression '30's. Then it made considerable sense to seek to raise prices from their extremely low points, even though by itself such action did not provide the solution—namely, recovery of activity and employment in other lines. Today the problem is overexpansion, not depression; and in spite of the fact that an entirely different approach is called for, we persist in concentrating on prices. We are dealing with consequences, rather than causes.

Per Capita Food Intake Is Stable

We often hear it said that it is "underconsumption, not overproduction" which is at the root of the farm problem. To holders of this view the matter of market expansion may seem simple. What they overlook is that in a well fed nation such as ours, total consumption per capita does not go up merely because supply of some things is overabundant. The intake of food per capita is remarkably stable. If consumers are induced to consume more of some things, they will eat less of some others. The market for farm resources may be increased by a greater shift to animal products at the expense of direct consumption of grain products and potatoes. However, the total consumption per capita is not likely to change markedly. Population is growing, and this means a bigger market for farmers. Prospective shortage, however, is not in sight. Indications are that in the race between the rate of increasing farm productivity and the rate of population growth, the former will continue to lead. Surpluses are likely to be with us for a period of years unless we develop effective methods of production adjustment.

Some, of course, contend that it is impossible to have too much of a good thing, such as food. They point to the fact that a considerable segment of the world's population is inadequately nourished. What they forget is that need does not become demand which is effective in the market place unless it is coupled with ability to buy. They tend also to fail to grasp the difficulties involved in selling food at bargain prices or actually giving it away. These operations are not costless and involve a willingness on the part of the public to assume the burden. The real ticklish operation, however, arises in distributing surpluses in such a manner that they do not replace or encroach upon regular markets. If they do, the operation not only is expensive but actually is self-defeating. When this happens, what we dispose of through the back door of the storehouse is replaced by new supplies coming in at the front.

Can We "Dump"

Some Americans find it easy to assume that there is a foreign market ready to take any and all farm products off our hands if only the price is right. Among them, we find proponents of two-price or similar programs to separate domestic and foreign sales. They do not see why other nations should not welcome bargain offers. They may become impatient at the reminder that sales abroad at prices below those maintained at home constitute "dumping," against which nations generally, including the United States, have restrictions which they may apply whenever they believe their interests are best served by doing so. Nations which compete with us for foreign markets are particularly sensitive to moves on our part to dump stocks abroad.

Advocates of arbitrary price supports do not always see the nationalistic aspects of such programs. The United States has quotas or other barriers to imports of price-supported products. Trade is a two-way road—an exchange of goods and services. Restrictions on imports are not consistent with our efforts to dispose of surpluses by expanded exports.

The possibility of expanding the market for farm products by developing new uses has popular appeal. Considerable research attention is centered on industrial uses of farm products in the regional laboratories of the United States Department of Agricultural and in the programs of agricultural experiment stations and private agencies. The Agricultural Act of 1956 established a "Commission on Increased Use of Agricultural Products," with instructions to report to the Congress by June 15, 1957, its recommendations to "bring about the greatest practical use for industrial purposes of agricultural products not needed for human or animal consumption, including, but not limited to the use in the manufacture of rubber, industrial alcohol, motor fuels, plastics, and other products."

Seeking Industrial Outlets

Considerable wheat was used for making industrial alcohol for synthetic rubber during the war. However, less costly raw materials now are available for this purpose. The blending of alcohol made from farm products with motor fuels received considerable attention during the 1930's, and agitation for such action may be renewed. The question we need to face constantly when the use of farm products as industrial raw material is advocated is whether such use will represent good economy; that is, will it provide a good use of resources? Are farm products the most economical and best raw materials for these uses? Can the use stand on its own feet, or will it require subsidy in the form of lower price to the users or higher cost to consumers? Industry logically seeks the lowest cost raw materials, everything considered. The prices it can pay for farm products in competition with other raw materials often are too low to make them attractive to farmers. A program which would saddle us with higher costs over the longer run is a doubtful solution for a temporary surplus problem.

Let us pursue the search for industrial outlets, but let us do so realistically and not start running after the pot of gold at the end of the rainbow.

Let us seek every legitimate market which can be found or developed, but let us get over the notion that the whole or the principal solution for our current farm dilemma is to be found on the demand side.

Allotments and Quotas

Some who seek price supports as the answer to farm income problems may be quick to call attention to the acre allotments and market quotas which Congress has legislated as the curb on surpluses of basic commodities. Several points merit attention here. For one thing, acre controls are not synonymous with production controls. The alert farmer concentrates his production on his better land and tends to use that more intensively. Moreover, unless the use of land taken out of production of the supported crops is restricted, the result is to spread rather than correct the surplus problem. Feed grains grown on acres diverted from wheat and cotton are an illustration.

Acre allotments and marketing quotas may be the appropriate answer in a situation of temporary surplus for which a curb is needed only until the market recovers. They are unsuited for more permanent adjustments such as now needed. While such curbs may hold resources out of use, they continue to demand a share in the returns and stand ready to come back into the supply picture as soon as the brakes are released. They are unfair in that they do not distinguish adequately among producers and land that should remain in production and those which should shift.

Recurring surpluses in any commodity other than in times of serious depression are a symptom of unbalanced use of productive resources. The remedy is not that of a proportionate holding of resources in idleness with compensation from public funds, but one of readjustment in use. In some cases this adjustment may be simply that of shifting from one use to another. That shift may be to a less intensive production, such as using some lands now in wheat for grazing purposes. Some lands now in crops may be more suitable for timber or for water shortage and conservation purposes. Clearly, such an adjustment is not accomplished by applying a percentage cut across the board.

Better Incomes Benefit From Supports

A more touchy aspect of adjustment in resource use is that involving the human factor. The evidence is clear that there is underemployment of some farm people. The alleged disparity between average farm incomes and the average of nonfarmers frequently is cited as a justification for price supports and income aids. The figures commonly used in such comparisons leave much to be desired. An average farm income obtained by dividing the total income by the 4.8-million farms recorded by the census hides more than it reveals. The larger share of the farm income goes to the approximately 2-million commercial units, mostly individual farms, which produce the lion's share of the market supply. It requires no higher mathematics to discover that an average of the incomes of these farms compares much more favorably with their nonfarm counterpart than the figures commonly used. Complaint is heard that present price supports benefit most those with better incomes. Of course they do. Any operations—price supports, income payments, or others—based on the market will have that result. What we actually have been doing is to average in people living on the land producing little or nothing for market to justify a program which benefits primarily commercial farmers.

However, to the extent that there may be persistent disparity of income for some farm people—that is, their productivity in some other line would earn them a higher income—the way to attain a better balance is for some of them to take advantage of these opportunities to shift out of agriculture. The answer clearly is not one of subsidizing more people than needed to remain in agriculture and to share in the farm income.

Shifting Out of Agriculture

Cityward migration is nothing new in this country. It has been under way during most of our history. The over-all effect has been good, both for agriculture and for the economy as a whole. As recently as 1910, over one-third of our people lived on farms; now one-seventh live on

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*An address by Dr. Jesness before the 82nd Annual Convention of the American Bankers Association, Los Angeles, Oct. 23, 1956.

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Low-Down on Aircraft Industry

that we—and I mean all peoples of the world—soon will become so smart we can abandon military considerations and apply ourselves to aviation solely as a means of transport and an instrument for advancement of knowledge.

In the meantime, under the world conditions presently imposed on us, we have no choice but to continue military development at the fastest possible pace.

In the near future, there will be, of course, a need for a manned supersonic reconnaissance plane. Manned military aircraft of this kind will be essential for many years to come. Development work in this field is going forward. In addition, reliable, accurate unmanned missiles of intercontinental range are not far off.

I find it most interesting to look at the future of commercial aviation. I think I can see clearly what to expect by 1975, but beyond that are only vapor trails.

Often the best way to look ahead is to begin by looking back. An immediate impression is that in the early days we were coming out with new designs every few months. As planes grew in size and capability and their useful lives were extended, the time lapse between new designs rapidly lengthened. For example, I think the Boeing 707 jet transports will hold their position as the finest commercial aircraft for at least 15 years.

Right now, using today's jet transport, you could have breakfast in London, a midmorning cup of coffee in New York, lunch in San Francisco, and still have time for an afternoon swim before dinner in Hawaii. What, then, will be the picture by 1975?

200-Passenger Jets by 1975

At Boeing we can foresee a 200-passenger jet transport with a maximum speed of 1,500 miles per hour at 50,000 feet altitude. This plane will be useful primarily for intercontinental and other long nonstop routes. It will fly from Seattle to New York in one hour and 45 minutes, and from New York to Paris in two hours and 25 minutes.

A further step in supersonic intercontinental transport, some time beyond the year 2,000, could be a rocket. However, by that time the human race may have a new set of values and no longer be greatly interested in seeing how fast it can run on our earth-bound treadmill.

I have considerable hope that long before we turn to commercial passenger rockets we will have devised a better method of getting from one city to another. This may be accomplished in 15 or 20 years by airplanes flying little faster than our initial family of 707 jet transports, but very different from them in take-off and landing characteristics.

One of the most promising areas for timesaving is not in flight time but in time spent between city center and airport. A traveler flying at 1,500 miles per hour from Seattle to San Francisco could make the flight in 30 minutes, but he would spend an additional two hours between city centers and his airplane.

Some airline operators already have taken the initiative in trimming airport-to-city time by using helicopters. Sabena Belgian World Airlines operates a helicopter service between airports and city centers at several places and also has city-to-city helicopter service. For instance, it took me only about five minutes to walk from the hotel to where I boarded one of Sabena's helicopters the last time I was in Brussels; and after a flight of about an hour and a quarter, we landed right in the middle of Rotterdam.

I might mention, too, that things have really been speeded up in Brussells in getting from city to airport. You're whisked by electric train to Melsbrook Airport in a matter of 10 minutes or so. London also is effecting a speed-up with a new mechanism which has greatly improved baggage-handling.

City Takeoffs and Landings

What we will need eventually, however — and I think we will have—are subsonic passenger aircraft that can take off and land in city centers. Perhaps these aircraft will be able to take off and land vertically from the roof of a building, or they may require only a very short landing strip, which could be provided by a deck built over an unobstructed freeway or over the tops of several buildings.

The Navy already has shown us both operations. It has planes that land and take off from carriers. It also has an experimental "pogo stick" airplane that takes off and lands vertically. The latter is powered by a turboprop engine. I think, however, Boeing would prefer to do this job with a turbo-jet.

We already have learned to liberate and control tremendous energy by means of turbojet engines, in spite of the fact that our fuel is basically the same as that used by the Wright Brothers 53 years ago. We hope that a synthetic chemical fuel more powerful than gasoline or kerosene will be developed within the next few years. A similar hope exists regarding the application of nuclear energy to airplane propulsion.

Fuel and engine problems of supersonic jet transports do not seem as difficult to solve as those of passenger comfort and passengers acceptance. A strong public relations program will be needed to sell passengers on any new means of travel. Many persons will be almost as wary of riding in a vertical-takeoff airplane as of being shot from a cannon.

When I was asked to prepare this, I was told it should present my guesses regarding the progress of aviation during the next 40 years. I would like to add one more item which may take us a little beyond that, and which you may have read in a "Saturday Evening Post" article last month. One of our top engineers is quoted as pointing out that after man has taught himself to fly at speeds twice or four times the speed of sound, maybe he will expose himself to electronic disintegration, be transmitted over a co-axial cable and instantaneously re-assembled at the other end. But even if it comes to this, he still will demand safety, reliability, and economy in his transportation, and in addition will probably want a highball on the way.

Forms Lind Rich Co.

FAIR LAWN, N. J.—Robert E. Shafarman is engaging in a securities business from offices at 9-06 Bush Place under the firm name of Lind Rich & Co.

With Selected Inv.

(Special to The Financial Chronicle)

WILMINGTON, N. C. — Henry Harrell, Sr. is now with Selected Investments, Insurance Building.

Joins King Merritt

(Special to The Financial Chronicle)

BOSTON, Mass.—Noel A. McKeon has become connected with King Merritt & Co., Inc., Chamber of Commerce Building.

Stillman Drake Joins Puerto Rico Gov'ment Development Bank

Stillman Drake of San Francisco has been appointed assistant vice-president of the Government Development Bank for Puerto Rico, according to a recent announcement by Guillermo Rodriguez, President. Mr. Drake's duties will be principally in the municipal financing and fiscal agency activities of the Bank.

Graduated from the University of California in 1932, Mr. Drake returned to the University for two years graduate work in mathematics. Following this he has been almost continually associated with the field of investment banking, specializing in municipal securities.

During World War II, Mr. Drake left private business to take various assignments with the U. S. Government. He served first as finance examiner for Defense Public Works, then as regional statistician for the War Production Board in the western states, and finally as financial analyst for the U. S. Navy Price Adjustment Board.

From the end of World War II until his appointment to the Government Development Bank, Mr. Drake was associated with the investment banking firm of Heller, Bruce & Co. of San Francisco and New York.

John Kinnard Adds

(Special to The Financial Chronicle)

MINNEAPOLIS, Minn. — Maurice A. Miller has been added to the staff of John G. Kinnard & Co., 133 South Seventh Street.

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Who Should Manage Our Managed Money?

not explored. One of the most interesting of these is the system used by the Dutch of varying the period over which businesses can write off new investment in plant and equipment so as to encourage or discourage capital investment.

At present, we have no means of spreading out the capital boom except by putting the squeeze on the entire economy. A flexible depreciation policy might be worth exploring.

Now another problem that has complicated our efforts to control the business cycle is the lack of a unified Government policy. We have seen, for example, the Federal agencies concerned with housing acting to make housing credit easier at a moment when the Fed was acting to make all credit dearer and was doing this, in large part, to cool down the residential housing boom.

Moreover, there is not always agreement as to the correct policy among top Government officials. It has happened in the present Administration as in the previous one that the Fed and the Treasury have not always seen eye to eye.

Federal Reserve's Independence Dichotomized

In view of the importance and difficulty of preventing booms and depressions, ought we not to seek some means of making sure that all the Governmental agencies concerned work in harmony rather than at cross purposes?

When the Federal Reserve System was created in 1913, there was no thought that any one would suggest Government could be held responsible for full employment. The principal idea behind the establishment of the System grew out of the Panic of 1907. It was to provide the country with an elastic currency based on commercial paper. In those days, the model of what a central bank should be was the Bank of England, a privately owned institution governed primarily by tradition. Yet even then, it was recognized that the United States could not have a central bank completely independent of Government control. Andrew Jackson had settled that long ago in his war on the Bank of the United States. So the Reserve System was set up so as to report to Congress, but it was made directly responsible to the Administration by having the Secretary of the Treasury and the Comptroller of the Currency sit as ex officio members of the Federal Reserve Board. This link with the Administration was severed in the banking reforms early in the days of the New Deal. The Secretary of the Treasury and the Comptroller were removed from the Board on the grounds, later shown to have been quite incorrect, that Secretary Mellon had used his position on the Board to block effective action against the runaway stock market.

Ironically enough, it was subsequent to this supposed purge of "political" influence that the Federal Reserve System came completely under the domination of the Treasury in connection with the pegging of Government bond prices during and after the War. Since the War, discussion of Federal Reserve matters has centered around the restoration and preservation of the "independence" of the Federal Reserve System.

Now it happens that I am one who pointed out years ago that the Federal Reserve not merely ought to be but, in fact, was independent of the Treasury. There was never any law requiring the Fed to peg Government bond prices or to bow the knee to John Snyder. Any time the Fed was ready to stand up and assert its independence of the Treasury, it was free to do so, as events proved. I am not suggesting that the Fed should be deprived of its much prized independence. There are sound historical and practical reasons why the central bank should not be made subservient to the Treasury. I do question whether under present-day conditions, the Federal Reserve ought to be able to ignore or even go counter to the economic policies of the National Administration.

You Can't Keep Fed Out of Politics

In no major country of the world today, except in the United States, is there a central bank that can legally, if it wishes, tell the head of its own Government to go fly a kite. It seems to me that if we are to hold Government responsible for carrying out the new doctrine of economic stabilization, there must be a chain of responsibility reaching through the Presidency to all the instrumentalities that do the stabilizing.

In theory, the Federal Reserve System reports to Congress; but Congress is not an administrative body, and Congress is not responsible for carrying out the mandate to maintain a stable economy.

It is oversimplifying to speak of keeping politics out of the Federal Reserve. The point is you can't keep the Federal Reserve out of politics.

By that, I am not for one moment accusing the present Federal Reserve Board or any part of the System of acting from political motives. Chairman Martin and his associate on the Board are, I know, carrying out with much courage policies they earnestly believe to be right; and they are resolutely ignoring the political aspects of their course. Nevertheless, the tremendous importance to every citizen of monetary management makes the Federal Reserve's activities a matter of high political consequence.

Regardless of what may be the motives or opinions of the members of the Board of Governors in following policies of credit ease or credit restraint, it is the Administration in power that will be held responsible for the consequences. Mr. Truman, for example, lost no time in denouncing President Eisenhower for the present tight money policy. And Mr. Truman certainly knows a political issue when he sees one.

The irony of it is that four of the seven members of the Federal Reserve Board were originally appointed by Mr. Truman himself, one by President Roosevelt, and only two of the seven by President Eisenhower. Mr. Truman knows too that the President has no control over the Federal Reserve Board. He's been all through that and out the other side. Yet his political instinct is as deadly as ever—the public holds Eisenhower responsible for tight money.

There Are Only Two Choices

If we are to have coordination of our economic policy, either one of two things must happen: either every other agency of Government, including the Treasury, must be made responsive to the Federal Reserve Board; or the Federal Reserve Board must be made responsive to the Administration.

There are probably many ways this could be done.

A simple solution to this problem and one that I believe would prove eminently practical would be to create a National Economic Council that would have the responsibility of determining the basic economic policies of the Government. The Secretary of the Treasury would be a member of this Council; and so, on a completely equal basis, would be the Chairman of the Federal Reserve Board.

The Council should include the Chairman of the Council of Economic Advisers and other top-ranking economic policy makers of the Administration. Like the National Security Council, this new body would report directly to the President, who would be its chairman. He would have the final responsibility for its decisions and for resolving conflicts on basic matters involving different agencies of the Government. Such a plan would preserve the independence of the Federal Reserve System but would, I think, give the Administration the power to help determine those basic economic and monetary policies for which it must, in any case, take full political responsibility.

Advantages That Would Follow

A number of advantages would follow. Such a National Economic Council would make possible better coordination of monetary and fiscal policies, both of which are essential to achieve our national goals of economic growth and stability. It would make possible coordination in important areas of money and credit now beyond the reach of the Federal Reserve.

We have forced upon our National Administration responsibilities for insuring the stability of our economy; for seeing to it that employment is maintained at a high level. That responsibility has been made specific by the Employment Act of 1946. Yet, by the accident of history, in the most critical area of all for the achievement of these objectives—the area of monetary management — we have cut off the National Administration from any operating responsibility.

We have committed ourselves to defend the economy against future depressions. Yet we have not taken the elementary step of putting our defense forces under one command.

Supports Monetary Commission Study

There is abroad today a widespread uneasiness and much questioning concerning our money policies. Is our monetary system equal to the tasks being asked of it? Are we, perhaps, holding out false hopes which, like the delusions of the 1920's, will lead to a bitter awakening? I do not pretend to know the answers. In these comments today, I have tried only to ask some of the right questions. The suggestion has been made by Allan Sproul and others that it is time to set up a new Monetary Commission to take a long, deep look at our whole money system. That, I believe, must surely be done.

We are approaching a point where events could move rapidly towards a climax. We cannot much longer permit this situation to drift. As a nation, we are involved in a great experiment, testing whether a democracy can be wise enough and disciplined enough to master the rise and fall of the business cycle.

We are all agreed, I think, that another Great Depression would be a catastrophe second only to another Great World War. We are agreed that such a calamity must not be permitted to happen. Yet the sobering fact is that never in the past have we succeeded in preventing depressions. At best, we have merely postponed them with, perhaps in the end, aggravated results.

If, in the years immediately ahead, we can find a way to maintain an economy of high employment, expanding productivity, and stable prices; if we can do this without infringing on the basic principles of a free society, then we shall have unlocked the gates to a future of untold promise. If, on the other hand, by bungling and conflicting policies we shatter the hopes so widely held, our condition will be sorry indeed.

Incalculable Stakes

The stakes are incalculable. One thing is certain—we shall never succeed on a hit or miss basis. We shall need to apply to this problem the best judgment and the wisest counsels our nation can command. Above all, we shall need the support of an intelligent, informed public opinion. We must inculcate in all minds an understanding that defense against depression may call for sacrifices and patience just as does defense against external aggression. There may be times when every one will have to slow down a little in buying goods on credit; times when even our great corporate giants may have to discipline themselves, to spread their expansion plans over three years instead of trying to crowd them into one.

In developing this kind of public understanding and in helping to discover the means of implementing the defense against depression, bankers have a key role to play. From the nature of your business, you are expected to be leaders of public opinion on matters affecting the political economy. Moreover, whether we like it or not, bankers are squarely in the middle of this problem. It is impossible to manage our money supply without profoundly affecting our banking system. In your own interests, in the nation's interests, you must face up to the problem. Booms and depressions are in great measure due to fluctuations in the opinions of men. Let our opinions be based on a confidence that we have learned something, but by no means everything, from our past experience, and that if we will apply the understanding and the will and the courage to the task, we can maintain a healthy, growing America.

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Can We Solve the Farm Income Problem?

farms; and if we count only those producing importantly for market, less than one out of ten is involved. Had the migration been stopped after 1910, nearly 60-million of our 168-million people would be seeking a share in the farm income—a smaller total income, by the way, than the current because the total production and buying power and national income would have been decidedly smaller. Does any one really believe we would have been better off without the shift?

Cityward migration may vacate some farmsteads but does not lead to land abandonment except in rare cases. The land is absorbed into neighboring farms, meaning that the average farm size is increasing. This in general is desirable. Too many of our farms are too small for most effective use of modern machinery and technology. They do not use the full capacity of the operator. Under such circumstances, enlargement means greater productivity, improved returns, and better living for farm families.

Denies Corporate Farming Is Growing

But what about the hue and cry over the alleged disappearance of the "family farm"? Some politicians and others see or pretend to see corporation farming as an ogre which is abroad in the land intent on gobbling up the family farm. Certain farm enterprises and situations lend themselves to effective use of large scale methods. This is not new. But there is no evidence of a marked increase on this front. What is happening is that the individual farm units are getting larger as they need to if effective use is to be made of modern technology and mechanization. Rather than resisting and obstructing the increase in size of individual farm units needed to make them more efficient, we should be encouraging the change wherever it will result in improvement.

Those who dwell on the threat of corporation farming might be interested in taking a look at what has happened to the number of hired workers on farms. The total number today is not much over half of what it was in 1920. The executives of corporations which operate farms are not customarily found in working clothes out in the fields or barns. Were corporation farming expanding, the number of hired workers would be up, not down. From the standpoint of reliance on operator and family labor, our farms are becoming more rather than less entitled to the designation of family farms" even while they are growing larger.

The growth in average size of farms comes about mainly by combining existing farms into larger units. The result is fewer farms and fewer farmers. The latter trend disturbs some people no end. They see a decline of rural trading centers and community institutions. As farm population in an area decreases, there may be fewer buyers of coffee, sugar, and overalls. The market for larger machines, services, appliances, and goods associated with better living may be expected to increase. Country banks may not have more farm customers, but may expect more business from the development of larger farm units. Farm numbers and farm population do not change overnight. The trends are gradual, giving opportunity for communities to adapt themselves to them. It may be useful at times for those in farm trading centers to remind themselves that they are there to serve the needs of farmers rather than the farmers being there to serve them. They should not expect the farmers to resist desirable changes in farming because of the adaptations others may be called upon to make as a result.

Problem Is Result of Surpluses in Some Lines

Let us face the situation frankly. Today's farm income problem is largely the result of surpluses in some lines. In other words, there are more productive resources used in agriculture and demanding a share in the farm income than needed. These resources are primarily land and people. The adjustments needed apply to both. As already indicated, some land should go out of crop production. Some should be shifted to less intensive use such as farm crops to grazing or timber. A better balance on the side of human resources will result from a shift of some farm people to other lines of activity where their productivity and earning opportunities are better. Let us emphasize that this is not a case of "plowing under" farmers or of driving them off the land, but one of attracting them by better opportunities elsewhere.

Will the soil bank program produce the needed adjustment? As you all know, the acreage reserve part of the soil bank aims to reduce the amount of land devoted to basic crops under allotments,

while the conservation reserve seeks to shift other acres used for crop production to grass, timber, or water conservation purposes. Payments to farmers under the program are intended to replace the net incomes which could be expected if these lands were cropped.

The test of this pudding will come in the eating. It is a dual-purpose program: one to adjust production; the other to improve farm incomes. If current income effects of the program are stressed, the production adjustment effects are likely to be neglected. Are we asking this program to do the impossible—to serve two masters?

Wants Real Solution

The existence of a real farm income problem makes it easy for many to assume that if this program adds to farm income, it will serve its objective. They fail to realize that the income effects are merely palliative, while the adjustment objectives are the remedial. To the extent attention is concentrated on payments rather than on production adjustments, the program will fall short of contributing to any real solution.

Unfortunately, there are a number of disquieting indications of a strong tendency to view the program as one of siphoning money from the Treasury into farmers' pockets. An early administrative ruling indicating an intent to use the program in 1956 for production adjustment and not as crop insurance met with such political and other opposition that it soon was modified. Payments under the acre reserve program are determined by applying a percentage of the support price per unit to the yield of the land withheld from production. The yield used will be the average for the area or the community. However, in 1956, for land already planted but on which drought, excess rain, or other causes had cut production decidedly, the direction was to use the appraised yield after the damage. This encountered strong opposition among some Congressmen and others on the ground that this would not compensate the individual for his losses.

Soil Bank Disparities and Loopholes

This displays rather clearly some of the conflicts. If payment is made for losses resulting from natural causes, the amounts will add to the income of farmers involved but will "buy" no production adjustment as such. Moreover, if one farmer is entitled to "crop insurance" of this sort without premium payment because he has sustained a loss, what about the producer of a nonbasic crop? Is not a fruit grower hit by frost or a hog farmer who loses a large share of his hogs through disease entitled to similar compensation? Is this what the program is intended to do? Will this approach help get the results needed? These are serious questions which we should be weighing.

Opinions differ as to whether a man should be required to put the same acres into the acre reserve year after year or be permitted to rotate the land. The latter interpretation seems to be prevailing. Will this enable the farmer to improve the productivity of the acres in reserve year by year and thus reduce the production adjustment effect? If so, it will lessen the adjustment result.

There are restrictions on the use of reserve acres for grazing, hay, or other purposes. However, there are loopholes for emergencies; and it will be interesting to watch how successful efforts to enlarge these loopholes will be. Without such curbs, the program will tend to shift the surplus problem to livestock.

It is well to recognize that the selection of land for the soil bank unavoidably is against most effective production adjustment. Poorer land will be put into the reserves; and for the acre reserve—the payment being based on average yields rather than on those of the acres placed in the program—the inducement will be greater for the less efficient producers with lower yields than for the best farmers.

To get most results in terms of needed production adjustment for the money, there should be greater administrative flexibility in application than contemplated by the soil bank program. The acre reserve program is intended to hold in check current production of basic commodities in surplus so that burdensome stocks can be moved. To do so, it is logical to hold out of use some of the most productive lands temporarily. The program should be free to select those lands which will give greatest adjustment in output for the money expended. The conservation reserve is designed to effect a longer run adjustment by shifting crop land to grass, timber, or other noncrop uses. For this purpose, the appropriate selection is of land less well suited for continued crop use. For some areas and for some farms, entire units rather than fields or parts of fields should go into the program. Spread over farmers generally, the adjustment in many cases may be of such a nature that a more intensive use of the remaining acres will offset in considerable measure the desired adjustment. The implication is not that some farmers should be required to come in and others should be forced to stay out. It is rather that with sufficient flexibility in incentives, the desired results can be attained.

Soil Banks Should Not Add To Incomes

Price supports maintained at arbitrary levels come into conflict with the soil bank program. Supports at incentive levels mean that the payments under the soil bank program will have to be high enough to provide offsetting incentives. Those who argue for both high price supports and the soil bank program ought to recognize the competing forces which result. They will limit the curative aspects of the soil bank program.

The soil bank program needs to be formulated and administered in such a manner that it will encourage rather than impede the needed adjustment in human resources. If it works in the direction of keeping more people on the farm than necessary, it will not serve the common good.

This leads to the conclusion that if the soil bank program is going to solve the basic problem of price - depressing surpluses, it must be used to buy adjustments and be freed from the job of adding to farmers' incomes. Unless this is done, the program will continue to find itself in the embarrassing position of riding two horses not traveling in parallel directions.

In short, if we are to supplement the income of farmers derived in the market place with payments from the public treasury, this should be done by an entirely different program. If such a program does not aid adjust-

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Can We Solve the Farm Income Problem?

ment, at least it should not, like some of our price supports at present levels, make the adjustment problem more difficult.

Farm Problem Is Also Social One

This discussion has centered on the income problems of commercial farmers. A considerable segment of the farm population consists of people living on the land rather than of producers for the market. Among them are many with extremely low incomes. The problems they present are not a farm income problem in the accepted sense. They should not be confused with farm problems which involve such programs as price supports, the soil bank, and the like. The problem they present is to a large extent a "social problem" rather than a "farm problem."

The remedy needs to be adapted to each individual case. With appropriate help and guidance, some may be able to become commercial farmers to take the place of farmers who are retiring or withdrawing. Others may be better suited for nonfarm work and may gain from training and placement help to this end. Still others, because of age, disability, or other reasons, may be helped to produce more effectively for their own consumption in their present location. Some will need to be helped as relief cases.

The answer to the question posed by the title of this discussion is that the farm income problem can be solved but that it will not be until and unless we are ready to face the actual problems and apply the specific remedies needed. These remedies will not be found in patent-medicine bottles, attractively labeled "price supports," whether they be of the 90% or the flexible variety. Some basic adjustments must be made. These are neither costless nor painless, but are inescapable unless we want to let overexpansion become chronic. Let us stop relying on soothing syrup for an ailment which calls for surgery.

Cannot Substitute Market Price Suddenly

Certainly the above review is not open to the interpretation that this is a problem which can be turned over to the market to solve, with price alone serving as the operating scalpel to remove the excess capacity. A realistic use of price can help, but for the government suddenly to drop out at this juncture could lead only to chaos in the markets for products of which unwieldy surpluses have been permitted to accumulate. This applies particularly to those commodities for which government programs have had a part in creating imbalance. The plea is not one of sudden governmental withdrawal from the scene. Instead, it is that the government make its role one of corrective instead of merely ameliorative action. We want to cure the surplus problem, not to live with it permanently at heavy cost to taxpayers generally as well as farmers.

Farmers are entitled to help in times of economic distress. Farmers do not bring on depressions but suffer severely from their consequences. Every effort should be made to avoid depression by keeping the economy stable at a high level of activity. No program of price or income support is an adequate substitute for a market kept strong by health in the economy generally. However, if real depression strikes in spite of best efforts, appropriate aid to farmers is in order, pending recovery. Standby farm programs to this end are essential. We also should be ready to apply corrective action in any difficulty beyond the ability of farmers generally to meet. Those of us who have abiding faith in the judgment of our good farmers will hope that programs to bring about needed adjustments to remedy the present difficulty and those developed to meet future emergencies will place the greatest possible reliance on farmers in decision-making with respect to how their farms are to be operated.

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A New Appraisal of the Electric Utility Industry

municipal purpose." The Attorney General's office in 1913 interpreted the Act of 1906 in three important respects:

(1) That the authorization for such leasing for municipal purposes was purely a secondary and incidental provision of the Act.

(2) That the term "municipal purposes," as used in the Act, meant municipal uses; that is, uses for the municipality itself, as distinguished from the wholesale purchase and retail distribution of such power to the citizens of that municipality.

(3) That the terms of such sale should be at least as advantageous to the project as the terms offered in behalf of other users.

That was the original preference clause and the intention of the Congress in 1906. Subsequently, in a seemingly harmless manner, the clause was expanded through legislation and administrative interpretation to broaden materially its original intent. With the coming of the Tennessee Valley Authority in 1933 and the Bonneville Act of 1937, all subterfuge was abandoned; and there was an open espousal of the whole concept that Federally generated electricity should be preferentially sold to public bodies for resale regardless of cost, or price, or fair market value, or other competitive bids.

The continued and all too effective efforts of the public power Socialists have not stopped by any means. I will cite only briefly a few examples of their efforts which occurred during the last session of Congress.

Congress' Vote on Southwestern Power Administration

The first was reported recently by Walter H. Sammis, past President of the Edison Electric Institute, and President of Ohio Edison Company; and perhaps I cannot do better than to quote his statement:

"Among the bills of particular interest which passed both Houses but were vetoed by the President was Senate Bill S. 3338. As passed unanimously by the Senate, the bill covered the disposition of all power under the control of the Federal Government, but later the House Committee on Interior and Insular Affairs limited its application to The Southwestern Power Administration (SWPA).

"The SWPA operates six hydro plants in Texas, Oklahoma, Arkansas and Missouri, and will ultimately have a system of 22 plants and 1,745,000 kilowatts if all projects authorized are constructed. Ever since it began business, SWPA has been involved in a conflict over the cost to be allocated to power facilities at multipurpose dams. Although the record showed that SWPA was selling power below cost and running in the red, under this bill rates would have been frozen and the bill would have prevented until June 30, 1957, any increase in rates to REA cooperatives and other preference customers. At the same time, the bill directed SWPA to renegotiate existing power contracts with nonpreference customers. Another bad feature of the House Committee amendments was a provision directing that only incremental costs should be used in establishing rate schedules—that is, no part of the cost of any multipurpose dam was to be charged to power, only the cost of the powerhouse and equipment associated with it. Fortunately, the latter two objectionable features were eliminated from the bill before passage by the House.

"The bill was considered by the House on the last day of the session. It passed the House by a vote of 201 to 140, and the Senate accepted the House amendments."

Here again was the real "give away" to the preferred few at the expense of the many, and one more step in the attempt to freeze out the investor-owned company.

President Eisenhower, with his characteristic courage and straight thinking, vetoed the bill on the grounds that sound management required that the government fix rates for electric power from Federal projects that would return the taxpayers' investment with interest.

A second example of the continued efforts of the public power Socialists was in the Gore-Holifield Atomic Power Bill. When considering the public power jockeying that took place in the endeavor to force that tremendous additional tax burden under this bill on the American people, bear in mind that investor-owned electric utility companies and numerous other investor-owned industrial organizations have built, or are building, or making definitive plans for, more nuclear reactors in the United States than all other nations combined. About 300-million private enterprise dollars are already involved in this undertaking and in the research attendant thereto, and this is only a beginning. Also bear in mind that all of the scientific and engineering talent presently available for this work in the United States is already fully employed, and many are doing yeoman service on several projects to try and meet the shortage of total talent available.

Socialists' Handiwork in Gore-Holifield and Other Bills

Now, what about the Gore-Holifield Bill? In the first place, it contained all of the usual provisions for the preferential sale of power to nonfederal taxpaying governmental operators to the exclusion and at the expense of 80% of the taxpayers who would provide the funds required under the bill. Initially, it was proposed under the bill to build six large scale nuclear power plants in six geographical areas of the United States for the express purpose of demonstrating the practical value of atomic power to industry and commerce. Such plants were to be in addition to plants already licensed by the Atomic Energy Commission for development by private industry or public power groups. It was stated to be 'the intent of Congress that the full resources of the United States should be made available to advance the art of generation of electric energy from nuclear energy at the maximum possible rate." It was referred to as a "crash" program.

Despite a very comprehensive showing in committee by the electric utility industry that the purposes of the Act were already being carried out by industry without cost to Federal taxpayers; that we are already well ahead of other nations in our developmental and exploratory work; that the effect of a governmental program would simply mean a further serious dilution of the limited scientific talent available to those already engaged in this work — despite this showing—the pressure of the public power Socialists to put the government into this all-controlling and dominating nuclear electric power field was so great that the Gore Bill was amended to expand even the "crash" program of large scale reactors to include also a number of smaller reactors. There was nothing in the bill to prevent the Federal Government from building reactor plants up to 50,000 kilowatts anywhere it pleased and selling the power at less than cost, of course, to preference customers. As a beginning, $400 million was authorized for this program — and the bill passed the Senate by a vote of 49 to 40. Fortunately, the House, after several limiting amendments, recommitted the bill to the Joint Committee on Atomic Energy on a vote of 203 to 191; and it so died in the last session.

Now I am sure that all of you are familiar with the long-fought Niagara legislation — in the last Congress, H.R. 11477. It also contained all of the usual preference provisions, and those provisions were further implemented by authority to build transmission lines and authority to withdraw any power that might initially be sold to investor-owned utilities to meet the later demands of preference customers. These particular preference provisions are the reasons why private power no longer exists in the state of Tennessee. Fortunately, that bill also died in committee.

The activity on the Hell's Canyon Bill, I am sure, is also well known to most of you. In the face of a long record of most careful consideration of the merits of the development by the Idaho Power Company, the public power fostered effort to restore it to government development was defeated in the Senate by a vote of only 51 to 41.

Utility Nationalization Started With Income Tax Amendments

My purpose in taking the time to relate these recent situations is to demonstrate that the influence and clever conniving of the really very small group of purposeful Socialists in the United States in their announced objective to nationalize the electrical utility industry are still present and still active; and incidentally, it is still headed up by substantially the same group who infiltrated many high, influential, and important administrative positions in the Federal Government in the two preceding administrations. Not for one minute should it be imagined that the utility industry is their only objective; gas at the mouth of the well; oil next; and coal next. Certainly no one basic energy element can be regulated or controlled without extending the same regulation and control to the other two. That is the basic framework which is the goal of the Socialists for the effective imposition of the whole Marxian philosophy.

This whole thing started, as you will recall, on many fronts and in many ways; certainly as far back as March 1, 1913, with the Income Tax Amendment. But as it directly affected the electric utility industry, it started with the exemption of public power operators from Federal income taxes; and the clincher was the perversion of the preference clause during the first New Deal administration. With the impetus that it gained over 20 years, through the sometimes forgotten "must" legislation, through the exercise of authority never expressly delegated, and through willfully perverted interpretation of directives never expressly legislated, it has now become a major issue, as I have indicated, in the development of nuclear reactors for electric generation. The preference clauses should always have been of vital concern to investors, but their import was never so great as they have become in nuclear reactor legislation.

Let me explain. So long as Federal development and operation of electric facilities was confined to hydroelectric locations, there was at least a geographically limiting effect on the extent to which the Federal Government could usurp and displace private investments. Later, when these Federal hydroelectric agencies oversold the power which they had developed, and frankly and openly came into the electric power field with demands for appropriations for steam electric generating plants, these plants likewise were somewhat limited by the fact of their location and need within the immediate areas of the hydroelectric developments. Also, such undertakings were subject to the problems of securing the authority of legislation for their accomplishment on purely political grounds.

But now, with the nuclear reactor we have an entirely different picture. If Federal taxpayer money is ever authorized and appropriated, as proposed by the Gore-Holifield Bill, Federal development will no longer be limited to location in hydroelectric areas, but may be extended anywhere. With preference clauses added, we can eventually visualize federally built and subsidized power stations serving every city in the land. This idea also is brought forth under a guise having a popular appeal; namely, that it is in the interests of the most rapid expansion of the atom for peacetime purposes.

An Informed Electorate Can Act

The whole preference problem, and its concomitant — unfair heavily subsidized, government competition with this vital sector of the nation's economy — in my judgment is the matter of greatest interest to investors in electric utilities. But, is it not also a matter of vital interest to investors in every other industry; a matter of interest to every taxpayer; and a matter of interest to every citizen who believes in our present economic system? Remember again that it was the electric power industry that was first socialized in England.

I would like to add just one more thought before concluding this part of my subject. Can you think of any more incongruous Federal legislation than the gross discrimination of the preference clauses, in face of the fact that state regulation of public utilities was initially grounded upon the principle of equality of treatment of all consumers? State public utility regulation, going back to the first state commissions in Wisconsin and New York in 1907, actually came about largely to prevent discrimination between customers, which was alleged to have existed at that time — and now we have compulsory discrimination by Federal legislation. If it were not a cold fact, it would be an unbelievable development.

I am confident that an informed electorate, now increasingly conscious of the threat to the enterprise system which is involved in discriminatory competition with governments, will not tolerate the further advancement of socialistic principles. I believe, therefore, that investor interest in electric utilities may well be directed toward an appraisal of the indus-

try's outlook in an atmosphere of fair competition, conducive to further growth and accomplishment paralleling that of the past. So what is the picture?

Does Not Advocate Wholesale Stock to Bond Switching

First, I believe I should not be far wrong in suggesting that most of you, who are responsible for day-to-day commitments in securities, share the view that the present level and action of the stock market is at best less than reassuring. Any period in which bond yields are higher than the return afforded by favorite equities is one for reassessment.

Many shares have been valued at what appears to be rather fanciful multipliers. The evaluation of present earnings, at upwards of 25 times, implies a confidence in uninterrupted earnings increases for ten or more years at rates which have seldom been sustained over so long a term. The practice of paying a high multiple of present earnings is the more precarious by reason of the fact that the earnings result from what must be considered, by any reasonable standard, a period of very high economic activity. These prices may well prove justifiable, as I hope indeed they will, and I do not necessarily believe the time has come when purely defensive situations should be sought out. While this could presently be done quite simply without sacrifice of yield by wholesale switching from stocks to bonds, I do not believe it will be done, nor would I advocate it. First, of course, there is the practical disadvantage of the tax effect entailed in switching. But more important in my opinion is the fact that only through equity ownership can the effects of inflation upon investment income, seriously threatening once more, be offset. It is, I should say, a time to search out situations the growth prospects of which have not yet been fully discounted. This may suggest a reappraisal of the values in electric equities.

Gross Revenue, Net Income and Common Earnings

As all of you know, the gross revenue of electric utilities has risen consistently over a long period of time. Growth since the end of the war has been one in which business downturns of 1949 and 1954 can scarcely be discerned. Of course, a growth in sales unaccompanied by mounting net is of little value to the investor in common stock. It is of particular interest, therefore, to note that the 130% increase in revenues from the sale of electricity over the ten years 1945 to 1955 has been accompanied by a 130% increase in net income. More importantly, earnings available for common have risen over 150%.

Possibly, the fact that earnings for common have outpaced even the revenue increase has not been widely realized. There has been a tendency to concentrate verbally on the special nature of the inflationary and regulatory problems as they affect electric utilities. These are very real problems, without question; and they will continue to be. But the fact is that through a combination of improved technology, efficiency, refunding of high cost senior money early in the decade, and rate increases when necessary, the utilities as a group have managed to counteract their effects. At any rate, the record of growth at an average rate of about 10% compounded, so far as balance available for common is concerned, does not appear to have been as heavily discounted as it has in many other "growth" situations.

An important part of the explanation, of course, lies in the fact that per share earnings have not kept pace with the amount available for common. They have not because many electric companies entered the postwar decade with an inadequate proportion of their capital structures in common equity. Also, many utilities came out from under holding companies with very low common equity positions. In building the common portion of the capital structure to adequate levels, more new common shares were issued than would have been necessary on the basis strictly of financial requirements for expansion. The objective of these managements now has been largely attained. The equity position of the industry as a whole presently stands between 35% and 40%. Common stock issuance should be undertaken much more sparingly henceforth, and the attendant dilution of common earnings should be minimized. Bolstering this assertion is the fact that an increasing proportion of the funds needed for expansion are coming from accelerated amortization and accelerated depreciation. These sources of funds should also act to minimize the portion of new money raised through common stock offerings.

Enhanced Per Share Earnings for Indispensable Electric

Thus the outlook for a more rapid increase in per share earnings of electric companies appears to be considerably enhanced under a continuation of present levels of economic activity. I believe this opinion is beginning to be more widely shared, and accounts for the fact that the price of utility commons has not fallen more drastically with the recent increase in money rates, a rather unusual fact since utilities, generally, have long been regarded primarily as income stocks, selling largely on a yield basis.

Ours is not one of the comelately "glamour" industries; but in appraising the outlook for improved earnings of the electric utilities, it should not be overlooked that virtually all of the "glamour" stocks are dependent upon electricity in large measures and will contribute to the number of its applications. The rising production that must accompany the expanding sales of the growth stocks will be dependent upon increased use of energy. In every sector of the industrial economy, power consumption is increasing as productivity increases. In stores, offices, schools, hospitals, and in the whole commercial field, there is emphasis, also, on improved lighting, air-conditioning, and the installation of electronic devices. Increasing home-ownership, and the movement into larger homes, will be accompanied by the use of a wider variety of appliances and higher domestic consumption. The heat pump, which will use upward of 12,000 kwh annually, compared to a national residential average of about 2,750 kwh in 1955, though moving ahead rapidly, is still practically unexploited so far as the industry as a whole is concerned.

It is not my purpose to prophesy a doubling or tripling of electrical consumption over a future period of time. I believe that investor interest over the longer term is not concerned with speculating on precise measurement. It is my purpose, however, to point the direction electric consumption is taking and to emphasize that as applications of electricity are multiplying, the electric utility is becoming more and more indispensable to the very life of the nation. As this occurs, the uptrending growth curve is given resistance to downward pressures few industries enjoy.

Growth Outlook Despite Obstacles

One can scarcely foretell with any degree of assurance the level of economic activity in 1958 or 1960 or in any other future period. There are far too many imponderables (not the least of which, by the way, is how to reach a goal of a $500-billion G.N.P. with a money supply that threatens one of $410-billion); but relatively speaking, and successful investment is after all a proper balancing of alternatives, the electric industry should do well. First, its growth record has been sustained over a long period; second, it has not been seriously affected by the readjustments the economy has undergone in the recent past; and third, through the nature of its product it shares directly in the apparent magic of every other growth situation.

The suggestion of the growth values which may inherently underlie electric companies does not overlook the problems with which the industry is continually confronted. Any thoughtful appraisal of the investment merit of electric company shares must certainly also include a careful examination of these problems and a judgment as to their ultimate effect. They are principally three—namely, inflation, regulation, and the subsidized and discriminatory government competition, which I have previously discussed.

Inflation has posed a major problem to the utilities for 15 years. The rise in labor, fuel, and construction costs, and in taxes, none of which can automatically be passed along to the consumer, as many believe, has intensified the difficulty of maintaining an upward earnings curve. Rate increases frequently have been slow and costly. Often they have been too little and too late. But the industry as a whole has, through economies of operation, improvement in the art of generating and transmitting electricity and continued applications for necessary rate increases, managed to counteract the inroads upon earnings which inflation would otherwise have caused. As they have done this, their customers have been charged a lower unit price for the product than at the beginning of the inflationary period—a record very few other industries can

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equal. It is a matter of justifiable pride to the electric managers and employees.

It is not without its investment implications, as well. As the price per kilowatt-hour of electricity has declined, compared with the prices for every other product the customer is purchasing, concerted consumer resistance, to such rate increases as are necessary to the continued well-being of the utility, is lessened. Moreover, the number of rate hearings throughout the country has tended to make the utilities' side of the story better and more widely known. Commissions have become increasingly aware of the effect of regulatory lag; and as we now face renewed upward pressures on price levels, the experience which commissions and utility managements alike have recently undergone gives a fair degree of assurance that requisite increases will be forthcoming in much less time than has formerly been the case.

Select Stocks Where Regulators Know Costs

The variance in regulation from state to state continues to be an imponderable in reaching investment decision, and is a matter of substantial investor interest. The attitude of the state commission can compound or entirely negate favorable territorial characteristics, managerial ability, and operating efficiency. It is therefore essential, if growth potential is to be realized, that stocks be chosen from among those companies operating in jurisdictions in which regulation fully understands the effect of continued rising costs and recognizes that the utility must obtain its needed capital in an increasingly competitive money market.

My rather favorable statistical comparisons earlier were based on industrywide characteristics. Many utilities have obviously done less well. The favorable outlook for the industry as a whole will certainly not be realized, as it has not been in the past, by companies penalized by restrictive and unrealistic regulation. Such utilities suffer further as investment money inevitably moves to utilities operating elsewhere or into other investment media.

While, as I have pointed out, subsidized government competition continues to count as a very real threat to the electric industry, as indeed it must to all industry, I am optimistic about the chances for a reversal of the 25-year drift toward socialism. The industry has begun to inform the American public of the true cost of subsidy and who pays it, and the public is responding to the truth. That response has been evident in the several recent elections in which voters have indicated their understanding of the public-versus-private power controversy by voting in favor of services from investor-owned utilities rather than from subsidized power authorities. Inevitably, the politicians, if not the public power socialists, will respond to the wishes of an electorate no longer willing to accept their respective misunderstanding and distortions. It is evident in the fact that self-seeking politicians, with minor but notable exceptions, have failed, through fear or political acumen, to make this socialistic objective a major issue in the present political campaign. The people are learning the truth, and as it is learned costly subsidies for favored groups will no longer be tolerated.

Summing Up

In summing up, the investor may, I think, look to the future of the industry with considerable confidence. Nothing appears on the horizon short of the possibility of a major and protracted downturn in general business conditions which would tend to reverse the record of growth of the last 10 years.

In conclusion, I would like to add just a word of commendation for the work that the trust officers and analysts are doing in searching out the facts — the material facts bearing upon the investments which they consider. I believe the Securities and Exchange Act and the Securities Act in the main have served a useful purpose; but I believe the thorough and intelligent analyses that are made today by your numbers and your counterparts in other fiduciary organizations and institutions have done far more to inform yourselves and to inform the public than all the legislation in Washington. You have become expert; you have attained experience and judgment. I am sure that the entire electric utility industry would endorse at least these concluding remarks. Speaking personally and at least for one company, it is a compliment indeed to know that many of your trust accounts hold substantial investments for which I am accountable.

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ABA Holds 82nd Annual Convention

Welman, President of the Bank of Kennett, Kennett, Missouri, was elected Vice-President, and George R. Boyles, Chairman of the Board and President of the Merchants National Bank, in Chicago, was reelected Treasurer for the forthcoming year.

8,000 Bankers Attend Convention

The role of banking in maintaining today's high level of business activity, now being tempered with a lively and growing competition, was brought into focus at the Convention which attracted almost 8,000 bankers from every state and territory of the United States and many foreign countries.

Membership Reaches 17,385 Banks and Branches

Glen C. Mellinger, Chairman of the Association's Organization Committee, reported that 17,385 banks and branches were members of the A.B.A. on Aug. 31, the close of the Association year. Mr. Mellinger is Vice-President of The Detroit Bank, Detroit, Mich.

The membership is made up of 13,906 banks, 3,303 branches, and 176 members in foreign countries. During the past year, the Association's membership increased by 245 banks and branches. Included are over 98% of the banks in the United States and over 99% of the nation's banking resources.

In 22 states and the District of Columbia, every bank is a member of the A.B.A.; and in seven states, not more than two banks are nonmembers. The states with 100% membership are Arizona, Arkansas, Colorado, Delaware, Georgia, Idaho, Louisiana, Maryland, Mississippi, Missouri, Montana, Nevada, New Jersey, New Mexico, North Carolina, Oregon, Rhode Island, Utah, Vermont, Virginia, Washington, and Wyoming.

Membership Includes Foreign Countries

The A.B.A. has members in every state in the Union and in Alaska, Bermuda, Bolivia, Brazil, Canada, Cuba, France, French West Indies, Great Britain, Hawaii, Honduras, India, Japan, Mexico, Philippine Islands, Puerto Rico, Salvador, Tangier, Venezuela, and the Virgin Islands.

The New President's Acceptance Address

Upon his inauguration as President of the ABA, Erle Cocke, who was advanced from the Vice-Presidency of the Association, delivered the following remarks of acceptance:

"Mr. President, distinguished guests, ladies and gentlemen of the Convention, it certainly would not be appropriate for me to make any extensive comments at this time. Mrs. Cocke and I do wish you to know of our appreciation. No greater recognition can come to one than the opportunity of leadership in the field in which he is working. We express, with humility, our gratitude to each of you.

"You can be reassured that it will be our purpose to devote our efforts in every way possible toward being of service in the year ahead. To you members present, as well as those of the Association not with us, we give our thanks; but at the same time, we request your advice, counsel, and fullest cooperation. With your help, we trust that in the year ahead, banking will continue to serve well our local communities, our regions, and our country as a whole.

"Together with all of you, I am deeply indebted to the former presidents and other officials of the Association, and particularly so to my distinguished predecessor, Fred Florence. Each in his time, and with his special talents and efforts, has made forward strides for our banking industry and our America and its people. This leadership through the 81 years of the life of our Association has left us bulwarks that have stood all tests and that will serve as foundations of strength for the future.

"The American Bankers Association is rich in tradition. As one of the nation's oldest trade associations, it is recognized as an organization founded on the principles and ideals which have nourished our nation's growth. We shall continue to make progress to the extent that each of us breathes into the Association the vitality that comes from active participation and genuine interest in its affairs.

"In the life of America, banks and bankers have firm and definite responsibilities to their customers, their employees, and their stockholders. These responsibilities provide opportunities for constructive assistance to the economic development in the particular area of a bank's operations. This assistance, naturally, will be meaningful only when the individual bankers offer proper, equitable, and complete services that warrant the confidence and respect of all with whom they deal.

Must Continue Sound Money

"In banking, as we look ahead, we must continue to have sound money and credit.

"Sound money and credit, although the immediate responsibility of the monetary and fiscal authorities, requires the full appreciation and support of the entire financial system.

"We are living in one of the most thought-provoking periods in the annals of banking. We see around us an environment vastly different in so many respects from what we knew in the past, and yet we still have a basic framework of experience and tradition in which we can evaluate present decisions. Sometimes it is hard for us to break away from traditions, but on occasion the realities of the modern world demand it. At other times, our past experiences become a sound influence which helps to preserve our proper judgment.

"There is perhaps no more significant area in which these observations hold true today than in the credit picture. Developments on the credit scene have always been a vital aspect of our economic and financial growth. Such developments are much in the public mind in this period of restraint when the credit resources of financial institutions are being called upon as never before. Since banks are at the focal point of the credit system, we ourselves must fully understand the meaning of restraint. Beyond that, we should make clear that such restraint is not an end to itself, but a means for insuring stability and soundness—to be imposed or removed as the winds of inflation blow or quiet down.

"Our responsibility is to cooperate in the preservation of the strength of the credit structure. Banking is not being motivated by a goal of higher interest rates or a desire of itself to curtail credit. These are merely symptoms of the kind of market developments that occur when it is necessary to prevent the credit machine from soaring to dizzy heights from which it might later only plunge downward. It is incumbent on all bankers to make this fully understood lest public thinking be misguided by the false impression that banks are seeking deflation whenever credit restraint becomes the order of the day. It must further be realized that credit is only one of the many factors influencing the course of economic growth; likewise, that the forces of demand for credit arise from outside the financial system.

"The law of supply and demand is revealing itself in money and credit just as it does in the area of material products. Our job is to let the people know the facts about these matters. You can trust the fairness of the American people when they have the truth.

"Well, thank you again, ladies and gentlemen, for your gracious thought of Mrs. Cocke and me. We are greatly honored. I hope that what I have said in the past few minutes will make all of us think. American banking through the years has ably served our ideals of free government and free enterprise. That course, I know, we all are determined to continue."

Greetings from President Eisenhower

A message from President Eisenhower was read to the First General Session of the Convention on Oct. 23. The message, which was a telegram to Fred F. Florence, retiring President of the A.B.A., read:

"As the American Bankers Association assembles for its annual meeting, I send you greetings.

"The nation appreciates your many services. These begin with the sale of United States Savings Bonds and include a substantial part of the government's current financial transactions. More important, however, is the service you render each banking day in the economic life of our country. In every community your banks have a key role. Your decisions in lending your depositor's money help determine the strength and direction of the country's economic growth.

"Today's prosperity, with its heightened demand for money, has made it particularly important for responsible borrowers to be able to get the money they need, while avoiding the dangers of inflationary pressure. In this area, much depends on your good judgment and understanding.

"In your meetings this year, I know you will give full consideration to your lending policies and you will continue to help your government in giving the public a better understanding of the great importance of sound and stable money.

Dwight D. Eisenhower"

Florence Lauded for Savings Bond Sales

Past President Fred M. Florence received a citation from the United States Treasury Department for patriotic service in promoting U. S. Savings Bonds sales during his term of office. The citation was made by Under Secretary of the Treasury W. Randolph Burgess.

In the course of his remarks on behalf of the Treasury Department, Mr. Burgess read the official citation to Mr. Florence, which says:

"Your leadership in promoting United States Savings Bonds during your Presidency of the American Bankers Association has been a notable contribution to the Treasury's program. Your patriotic service will be long and gratefully remembered."

The citation carries the signatures of Secretary of the Treasury George M. Humphrey; Under Secretary of the Treasury W. Randolph Burgess; John R. Buckley, director of the U. S. Savings Bonds Program; and all of the Treasury State Chairmen.

Resolutions Adopted

At its Second General Session, held Oct. 24, the 82nd Convention adopted the following resolutions:

"Desiring prosperity in a world of peace, the American people today are exerting a demand for a constantly rising standard of living. The continued fulfillment of this desire can be achieved only through the further expansion of our productive facilities. This fact must be understood by our people.

"We have already made tremendous progress because the energies of our free people have found expression in an industrial system that thrives on scientific and technological progress.

"The situation now confronting us is one in which the desire for a higher standard of living must take into account the capital investment needed for greater productivity to assure a higher standard of living in the future. It is impossible for us to do all we would like to do, and to have immediately all the things we would like to have."

Market System Praised

In a relatively free economy, the market place serves the function of deciding how much and what is to be done. We are fortunate that this function has been given broader expression in our economy than anywhere else in the world. This flexibility is the fountain-head of our vitality and prosperity.

"We must strike a sound balance in our markets between our desire to consume and our ability to produce. As institutions which supply credit to all sectors of the economy and which assemble savings of the people, this has a special meaning for banks. Our functions and operations are an integral part of credit and savings markets. Of course, banks are only one of the elements in these markets, but that fact in no sense

Heads of ABA Divisions and State Association Section

Sam M. Fleming

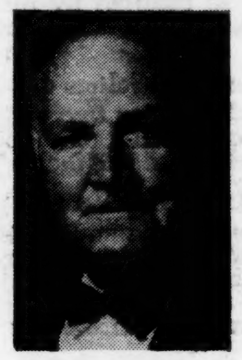
NEW ABA OFFICIALS

Sam M. Fleming is newly elected President of the ABA's *National Bank Division;* Daniel W. Hogan, Jr., President of the *Savings and Mortgage Division:* A. K. Davis, President of the *State Bank Division;* Thoburn Mills, President of the *Trust Division;* and Kenneth McDougall, President of the *State Association Section.*

Daniel W. Hogan, Jr.

A. K. Davis

Thoburn Mills



Kenneth McDougall

diminishes the importance of casting our weight on the side of stability and progress, or a healthy balance between consumption and investment."

Supports Federal Reserve

"In a period such as this, when the economy is pressing hard against the limits of capacity, the public interest requires that the Federal Reserve System adhere to a policy of restraining undue credit expansion. If such expansion of credit were not curbed by monetary policy, the dangers of inflation would be greatly increased.

"The Federal Reserve authorities have demonstrated skill and courage. Their judgment has been repeatedly validated by the events. Their efforts to help stabilize our economy deserve the support and understanding of our citizens. The continuance of a high degree of independence in the Federal Reserve System is essential to its effectiveness.

"The facilities of our banks are being used by business, agriculture, consumers, and governmental units to an unprecedented extent. Banks are serving vigorously all sectors of the economy, as illustrated by the fact that throughout the period of credit restraint total loans have increased materially. The number and amount of loans to small businesses have risen significantly. Monetary restraint has not meant that any class of borrowers is being denied the availability of credit for constructive use."

Banks Must Help

"Banks have the important responsibility of seeing that credit is used for constructive purposes that help to preserve stability and make for further growth on a sound basis. Within the framework of current Federal Reserve policy, banks must help to balance the forces of demand for credit against a supply which can accommodate the sound requirements of an economy that sometimes tries to do too much in too short a period.

"Lest it be assumed that monetary measures are a panacea, we wish to emphasize that sound monetary policy and its application by financial institutions cannot alone insure economic stability.

"Correlated with this problem of maintaining a sound credit structure is the need of our expanding economy for growth in savings. The good old-fashioned virtue of thrift has never needed stronger emphasis. Effective utilization of our scientific and technological genius demands an increasing flow of capital investment, which in turn is dependent upon the savings of our people."

Banks and Saving

"In this regard, banks have a particular responsibility. We must vigorously inculcate in the public mind the virtue of thrift. As an industry and as individual banks, we must intensify our appeal to the public for savings. We can do this not only by merchandising our own savings facilities, but also by continuing to support the Treasury savings bond program, which over the years has helped to make our people savings-conscious.

"The incentive to save requires more than thrift-promotion activities. It demands that our people have confidence that the value of those savings will be preserved in the years ahead. We bankers must devote a full measure of our energies in helping toward that goal. The value of the dollar cannot be preserved unless credit is maintained on a sound basis and our monetary system is kept in good order."

The Voting Privilege

"In a few days we shall again have the opportunity to exercise one of the greatest privileges our people enjoy — the privilege of voting in a free election. Too many people in this great democracy shirk their duty to go to the polls and cast their ballots.

"In the last Presidential Election in 1952 only 62.7% of Americans who could have voted, did so. This percentage is not enough. It should be raised. Current events abroad underscore the importance of the opportunity to express a free choice at the polls. Peoples who have lost the free ballot have been subjected to all the evils of despotism.

"The ballot is the greatest instrument for freedom and human welfare ever invented by man. We who have it must surely use it."

New Division Heads

Officers elected as Presidents for the four divisions and the State Association Section of the American Bankers Association at annual meetings held in connection with the 82nd Annual A.B.A. Convention follow:

National Bank Division

President: Sam M. Fleming, President, Third National Bank, Nashville, Tennessee.

Savings and Mortgage Division

President: Daniel W. Hogan, Jr., President, City National Bank and Trust Company, Oklahoma City, Oklahoma.

State Bank Division

President: A. K. Davis, Chairman of the Board, Wachovia Bank and Trust Company, Winston-Salem, North Carolina.

Trust Division

President: Thoburn Mills, Vice-President and Trust Officer, The National City Bank of Cleveland, Cleveland, Ohio.

State Association Section

President: Kenneth McDougall, Executive Manager, Savings Banks Association of Massachusetts, Boston, Massachusetts.

Backgrounds of New Top A.B.A. Officials

ERLE COCKE
President

Erle Cocke, Vice-Chairman of the Board and Chairman of the Executive Committee of The Fulton National Bank, Atlanta, Ga., was born in Lee County, Ga., and is a graduate of the University of Georgia.

After engaging in banking, manufacturing, and farming for a number of years in Macon and Dawson, Ga., Mr. Cocke served as a State Senator in 1927-28. Subsequently he was Secretary-Treasurer and executive officer of the Board of Regents of the University System of Georgia and head of the Atlanta agencies of the Reconstruction Finance Corporation, Commodity Credit Corporation, and allied operations.

He joined The Fulton National Bank, Atlanta, as Vice-President in 1938. He became Executive Vice-President in 1942; President in 1945; and Vice-Chairman of the Board, Chairman of the Executive Committee, and Chief Executive Officer in November, 1954.

He has served on various committees of the Georgia Bankers Association and is a past President of the Atlanta Clearing House Association.

In the American Bankers Association, he was state Vice-President for Georgia of the Trust Division in 1943-44 and a member of the Credit Policy Commission in 1945-46. He was a member of the Government Borrowing Committee from 1946 to 1955, Georgia State Chairman of the Federal Legislative Council from 1952 to 1955, a member of the Association's Executive Council from 1952 to 1955, and Association Vice-President in 1955-56. He was elected President of the A.B.A. at the 82nd Annual Convention in Los Angeles, California, Oct. 23, 1956.

Outside of the banking field, Mr. Cocke is a Director of the Central of Georgia Railway Company, Atlanta Freight Bureau, the Henry Grady Hotel, and the American Forestry Association. He was National Vice-Commander of the American Legion in 1922-23.

Mr. Cocke is married and has a son and a daughter. He makes his home in Atlanta.

JOSEPH C. WELMAN
Vice-President

Joseph C. Welman, President of the Bank of Kennett, Kennett, Mo., was born in Johnston City, Ill., and moved to Missouri in early childhood, being educated in the Kennett schools.

He has been with the Bank of Kennett since 1925 (except for two years in the United States Navy, attaining the rank of Lieutenant), becoming Cashier and a Director in 1930 and President in 1939.

Mr. Welman has served on many committees of the Missouri Bankers Association and was its President in 1948-49.

In the American Bankers Association, he was Vice-President for Missouri from 1934 to 1936; a member of the Subcommittee on Section 5219 U. S. Revised Statutes of the Committee on Federal Legislation from 1951 to 1953; and a member of the Federal Legislative Council from 1952 to 1954; a member of the Country Bank Operations Commission from 1949 to 1956, being Chairman from 1954 to 1956; a member of the Executive Council from 1951 to 1956; a member of the Committee on Mechanization of Check Handling of the Bank Management Commission from 1954 to 1956; a member of the Credit Policy Commission in 1955-56; and a member of the Committee on Employee Training formed in 1956. He was elected Vice-President of the A.B.A. at the 82nd Annual Convention in Los Angeles, Calif., Oct. 23, 1956.

Mr. Welman is a former President of the Kennett Business and Professional Association; a former President and currently a member of the Dunklin County Sportsmen's Association and the Kennett Lions Club; a former member and Secretary of the Kennett Board of Education; former coordinator of the Kennett Civilian Defense Organization; former Director of the Missouri State Chamber of Commerce; former Regional Chairman of the U. S. War Bond Committee; and one of the founders and a Director of the Kennett Housing Corporation.

He is at present a Director of the Kennett Development Corporation, the Kennett Chamber of Commerce, and the Dunklin County Compress and Warehouse Company; Secretary-Treasurer of the Baker - Welman Insurance Agency, Inc.; and Chairman of the Trust Committee and a member of the Official Board of the Southeast Missouri Area Boy Scout Council.

Mr. Welman is married, has two sons, and makes his home in Kennett.

GEORGE R. BOYLES
Treasurer

George R. Boyles, Chairman of the Board and President of the Merchants National Bank in Chicago, Chicago, Ill., is a native of that city and attended the School of Commerce of Northwestern University and the American Institute of Banking.

Mr. Boyles entered banking in 1907 with the First National Bank of Chicago. In 1912 he became an examiner for the Chicago Clearing House Association, and in 1928 Executive Vice-President of the Lake View State Bank. In 1930 he became President of the Madison Kedzie Trust & Savings Bank, and in 1934 President and Chairman of the Board of the Merchants National Bank of Chicago, the position he now holds.

In the Illinois Bankers Association, Mr. Boyles served on a number of Committees and as Vice-President in 1942-43 and President in 1943-44.

In the American Bankers Association, he was a member of the Executive Council from 1943 to 1946 and again in 1951-52. He was State Vice-President for Illinois in 1945; member of the Treasury Savings Bonds Committee from 1946 to 1952; and member and Chairman of the Nominating Committee in 1950, '51, and '52. He was a member of the Association's Administrative Committee in 1951-52 and was Chairman of the Committee on Federal Legislation from 1952 to 1955. He was elected A. B. A. Treasurer at a meeting of the Association's Executive Council held at the close of the A.B.A.'s 81st Annual Convention in Chicago on Sept. 28, 1955; he was reelected for a second year at the meeting of the Executive Council held at the close of the 82nd Annual Convention in Los Angeles on Oct. 24, 1956.

Mr. Boyles is married and has two children. He makes his home in Oak Park, Ill.

1957 Meeting to Be Held in Atlantic City

The 1957 Convention of the American Bankers Association will be held in Atlantic City, N. J., it was announced by Erle Cocke, newly elected President. The dates for the Convention will be Sept. 22-25, 1957.

Panel Discussion of Turnpike Bonds

A panel discussion of a number of leading turnpike bonds has been arranged for a luncheon of The Municipal Bond Women's Club of New York to be held on Nov. 9, 1956, at The Lawyers Club, 115 Broadway, New York City, it was announced by Miss Elaine C. Haggerty, Chairman of the Education Committee.

The panel will consist of the following municipal bond men associated with firms prominent in the underwriting and distribution of turnpike bonds: Portland Merrill, of Blyth & Co., Inc.; William H. Tharpe, of Drexel & Co.; Winthrop S. Curvin, of Smith, Barney & Co., and Jerome C. L. Tripp, of Tripp & Co., Inc. Moderator of the panel will be Leonard R. Sullivan, of Phelps, Fenn & Co. The special features and security of specific turnpike issues will be examined by the panel members. A question and answer period will follow the discussion.

Guests are invited to attend the luncheon. Reservations may be made through Miss Elaine C. Haggerty, Phelps, Fenn & Co., 39 Broadway, New York 6, N. Y.

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National Bank System Today

tory, and I do not wish to be in the position of recommending that it be taken away. We do not know what emergency or change of conditions might come which would make it again useful.

Now I am going to run over a number of our recommendations which have gone forward to the Senate Committee, omitting the discussion of things which are strictly technical and unlikely to be controversial. Your Washington representatives have been or will be informed about all of them, and we shall be glad to have them made available to you. I shall refer to these changes by reference to the U. S. Code, Title and Section.

Title 12: Section 4-5-6

We shall ask for two additional deputy comptrollers. We need them, and you need them.

Title 12: Section 24(7)

We are recommending the insertion of a provision to restrict state authorities from subjecting national banks to examinations and licensing requirements under state laws.

Title 12: Section 24(8)

We are recommending that contributions which may be made by national banks should include funds for educational institutions not operated for profit and to organizations established for the purpose of civic improvement or betterment.

Title 12: Section 30

Relative to consolidations and mergers, we are recommending some changes to provide uniformity in the provisions for giving notice of shareholders' meetings, waiver of notice, and dissenters' rights; also to contain uniform provisions for the transfer of fiduciary functions.

Title 12: Section 56

We are recommending a limitation upon payment of semi-annual cash dividends in amounts which exceed the net profit of the previous six months except with approval of the Comptroller of the Currency. A recent experience in point was when a bank which had changed ownership paid out over $1 million in dividends in a short period. It calls attention to the need of a protective provision.

Title 12: Section 61

We are recommending the reintroduction of the bill which passed the Senate in the recent Congress, changing cumulative voting in the election of directors of national banks from mandatory to permissive.

Title 12: Section 62

We are recommending two changes in the requirements as to shareholders' lists to eliminate the provision that creditors of the association may inspect the lists, and to qualify the right of the shareholder to inspect the lists by providing that they may do so only for a proper purpose not inimical to the interests of the bank.

Title 12: Section 77

We are recommending that if an officer of a bank is removed under provisions of this section, he shall be restricted in power to vote his stock for any purpose at regular or special meetings of the shareholders.

Title 12: Section 84(6)

We are recommending several changes in exception 6 to Section 5200. It will extend the coverage of this section to some readily marketable staples, largely frozen

Continued on page 41

States Permitting Statewide Branch Banking

	June 30, '24	Dec. 31, '34	Dec. 30, '44	Dec. 31, '54	Dec. 31, '55
Arizona:					
Number of all banks	63	17	12	13	11
Number of branches	20	18	28	80	91
Total banking units	83	35	40	93	102
Number of all banking units in relation to population	1 Per 4,000	1 Per 12,400	1 Per 12,500	1 Per 8,100	1 Per 7,300
California:					
Number of all banks	675	283	206	171	149
Number of branches	538	804	830	1,088	1,177
Total banking units	1,213	1,087	1,036	1,259	1,326
Number of all banking units in relation to population	1 Per 2,800	1 Per 5,200	1 Per 6,700	1 Per 8,400	1 Per 8,000
Connecticut:					
Number of all banks	222	200	197	177	169
Number of branches	...	10	16	107	124
Total banking units	222	210	213	284	293
Number of all banking units in relation to population	1 Per 6,200	1 Per 7,700	1 Per 8,000	1 Per 7,100	1 Per 6,800
Delaware:					
Number of all banks	61	49	42	36	32
Number of branches	18	13	13	34	38
Total banking units	79	62	55	70	70
Number of all banking units in relation to population	1 Per 2,800	1 Per 3,800	1 Per 4,800	1 Per 4,500	1 Per 4,500
Idaho:					
Number of all banks	177	63	46	38	36
Number of branches	...	26	40	64	66
Total banking units	177	89	86	102	102
Number of all banking units in relation to population	1 Per 2,400	1 Per 5,000	1 Per 6,100	1 Per 5,800	1 Per 5,800
Maine:					
Number of all banks	150	104	97	93	91
Number of branches	47	58	63	89	95
Total banking units	197	162	160	182	186
Number of all banking units in relation to population	1 Per 3,900	1 Per 4,900	1 Per 5,300	1 Per 5,000	1 Per 4,900
Maryland:					
Number of all banks	250	201	184	160	160
Number of branches	88	91	96	169	184
Total banking units	338	292	280	329	344
Number of all banking units in relation to population	1 Per 4,300	1 Per 5,600	1 Per 6,500	1 Per 7,100	1 Per 6,800
Nevada:					
Number of all banks	34	10	9	8	6
Number of branches	...	5	14	22	27
Total banking units	34	15	23	30	33
Number of all banking units in relation to population	1 Per 2,300	1 Per 6,100	1 Per 4,800	1 Per 5,300	1 Per 4,800
North Carolina:					
Number of all banks	618	216	227	224	220
Number of branches	66	68	139	302	324
Total banking units	684	284	366	526	544
Number of all banking units in relation to population	1 Per 3,700	1 Per 11,200	1 Per 9,800	1 Per 7,700	1 Per 7,500
Oregon:					
Number of all banks	277	106	71	48	50
Number of branches	1	30	69	137	144
Total banking units	278	136	140	185	194
Number of all banking units in relation to population	1 Per 2,800	1 Per 7,000	1 Per 7,800	1 Per 8,200	1 Per 7,800
Rhode Island:					
Number of all banks	45	35	35	18	18
Number of branches	21	35	45	77	84
Total banking units	66	70	80	95	102
Number of all banking units in relation to population	1 Per 9,200	1 Per 9,800	1 Per 8,900	1 Per 8,300	1 Per 7,800
South Carolina:					
Number of all banks	411	136	146	151	149
Number of branches	20	20	24	73	81
Total banking units	431	156	170	224	230
Number of all banking units in relation to population	1 Per 3,900	1 Per 11,100	1 Per 11,200	1 Per 9,500	1 Per 9,200
Utah:					
Number of all banks	116	58	57	54	51
Number of branches	...	10	13	33	40
Total banking units	116	68	70	87	91
Number of all banking units in relation to population	1 Per 3,900	1 Per 7,500	1 Per 7,900	1 Per 7,900	1 Per 7,600
Vermont:					
Number of all banks	105	98	80	72	69
Number of branches	...	12	18	22	25
Total banking units	105	110	98	94	94
Number of all banking units in relation to population	1 Per 3,400	1 Per 3,300	1 Per 3,700	1 Per 4,000	1 Per 4,000
Washington:					
Number of all banks	381	204	128	111	107
Number of branches	7	31	94	183	205
Total banking units	388	235	222	294	312
Number of all banking units in relation to population	1 Per 3,500	1 Per 6,700	1 Per 7,800	1 Per 8,100	1 Per 7,600

States Permitting Limited Area Branch Banking

	June 30, '24	Dec. 31, '34	Dec. 30, '44	Dec. 31, '54	Dec. 31, '55
Alabama:					
Number of all banks	362	222	217	234	237
Number of branches	19	16	20	33	41
Total banking units	381	238	237	267	278
Number of all banking units in relation to population	1 Per 6,200	1 Per 11,100	1 Per 12,000	1 Per 11,500	1 Per 11,000
Arkansas:					
Number of all banks	485	237	213	231	233
Number of branches	3	5	18	22	24
Total banking units	488	242	231	253	257
Number of all banking units in relation to population	1 Per 3,600	1 Per 7,700	1 Per 8,400	1 Per 7,500	1 Per 7,400
Georgia:					
Number of all banks	656	327	293	386	395
Number of branches	53	27	25	50	52
Total banking units	709	354	318	436	447
Number of all banking units in relation to population	1 Per 4,100	1 Per 8,200	1 Per 9,800	1 Per 7,900	1 Per 7,700
Indiana:					
Number of all banks	1,108	548	499	478	477
Number of branches	8	39	72	150	163
Total banking units	1,116	587	571	628	640
Number of all banking units in relation to population	1 Per 2,600	1 Per 5,500	1 Per 6,000	1 Per 6,300	1 Per 6,100
Iowa:					
Number of all banks	1,692	663	640	663	665
Number of branches	...	95	156	162	162
Total banking units	1,692	758	796	825	827
Number of all banking units in relation to population	1 Per 1,400	1 Per 3,300	1 Per 3,200	1 Per 3,200	1 Per 3,200
Kentucky:					
Number of all banks	612	439	392	371	367
Number of branches	12	25	31	62	81
Total banking units	624	464	423	433	448
Number of all banking units in relation to population	1 Per 3,900	1 Per 5,600	1 Per 6,700	1 Per 6,800	1 Per 6,600
Louisiana:					
Number of all banks	251	149	149	172	175
Number of branches	93	53	54	100	113
Total banking units	344	202	203	272	288
Number of all banking units in relation to population	1 Per 5,200	1 Per 10,400	1 Per 11,600	1 Per 9,900	1 Per 9,300
Massachusetts:					
Number of all banks	448	405	383	365	366
Number of branches	98	144	152	293	328
Total banking units	546	549	535	658	694
Number of all banking units in relation to population	1 Per 7,100	1 Per 7,700	1 Per 8,100	1 Per 7,400	1 Per 6,800
Michigan:					
Number of all banks	770	486	428	429	420
Number of branches	332	134	176	336	376
Total banking units	1,102	620	604	765	796
Number of all banking units in relation to population	1 Per 3,300	1 Per 7,800	1 Per 8,700	1 Per 8,300	1 Per 8,000
Mississippi:					
Number of all banks	357	213	202	197	197
Number of branches	25	35	49	84	96
Total banking units	382	248	251	281	293
Number of all banking units in relation to population	1 Per 4,700	1 Per 8,100	1 Per 8,700	1 Per 7,800	1 Per 7,400
Montana:					
Number of all banks	248	123	111	110	113
Number of branches	...	...	...	...	...
Total banking units	248	123	111	110	113
Number of all banking units in relation to population	1 Per 2,200	1 Per 4,400	1 Per 5,000	1 Per 5,400	1 Per 5,200
New Jersey:					
Number of all banks	479	427	378	330	320
Number of branches	21	117	127	241	272
Total banking units	500	544	505	571	592
Number of all banking units in relation to population	1 Per 6,300	1 Per 7,400	1 Per 8,200	1 Per 8,500	1 Per 8,200
New Mexico:					
Number of all banks	76	42	41	52	51
Number of branches	...	...	6	22	25
Total banking units	76	42	47	74	76
Number of all banking units in relation to population	1 Per 4,700	1 Per 10,100	1 Per 11,300	1 Per 9,200	1 Per 9,000
New York:					
Number of all banks	1,120	922	828	689	638
Number of branches	362	661	704	1,074	1,149
Total banking units	1,482	1,583	1,532	1,763	1,787
Number of all banking units in relation to population	1 Per 7,000	1 Per 8,000	1 Per 8,800	1 Per 8,400	1 Per 8,300
North Dakota:					
Number of all banks	687	206	153	154	154
Number of branches	...	...	25	23	24
Total banking units	687	206	178	177	178
Number of all banking units in relation to population	1 Per 900	1 Per 3,300	1 Per 3,600	1 Per 3,500	1 Per 3,500

Ohio:

	June 30, '24	Dec. 31, '34	Dec. 30, '44	Dec. 31, '54	Dec. 31, '55
Number of all banks	1,107	706	682	637	626
Number of branches	203	166	169	340	377
Total banking units	1,310	872	851	977	1,003
Number of all banking units in relation to population	1 Per 4,400	1 Per 7,600	1 Per 8,100	1 Per 8,100	1 Per 7,900

Pennsylvania:

	June 30, '24	Dec. 31, '34	Dec. 30, '44	Dec. 31, '54	Dec. 31, '55
Number of all banks	1,650	1,136	1,044	866	825
Number of branches	98	107	118	419	496
Total banking units	1,748	1,243	1,162	1,285	1,321
Number of all banking units in relation to population	1 Per 5,000	1 Per 7,700	1 Per 8,500	1 Per 8,200	1 Per 7,900

South Dakota:

	June 30, '24	Dec. 31, '34	Dec. 30, '44	Dec. 31, '54	Dec. 31, '55
Number of all banks	553	212	164	170	171
Number of branches	...	1	42	51	53
Total banking units	553	213	206	221	224
Number of all banking units in relation to population	1 Per 1,200	1 Per 3,300	1 Per 3,100	1 Per 3,000	1 Per 2,900

Tennessee:

	June 30, '24	Dec. 31, '34	Dec. 30, '44	Dec. 31, '54	Dec. 31, '55
Number of all banks	569	332	292	297	299
Number of branches	53	46	52	122	132
Total banking units	622	378	344	419	431
Number of all banking units in relation to population	1 Per 3,800	1 Per 6,900	1 Per 8,500	1 Per 7,900	1 Per 7,600

Virginia:

	June 30, '24	Dec. 31, '34	Dec. 30, '44	Dec. 31, '54	Dec. 31, '55
Number of all banks	523	329	312	316	316
Number of branches	45	69	75	142	160
Total banking units	568	398	387	458	476
Number of all banking units in relation to population	1 Per 4,100	1 Per 6,100	1 Per 6,900	1 Per 7,200	1 Per 7,000

States Prohibiting Branch Banking

Colorado:

	June 30, '24	Dec. 31, '34	Dec. 30, '44	Dec. 31, '54	Dec. 31, '55
Number of all banks	342	161	141	161	164
Number of branches	...	...	...	...	1
Total banking units	342	161	141	161	165
Number of all banking units in relation to population	1 Per 2,700	1 Per 6,400	1 Per 8,000	1 Per 8,200	1 Per 8,000

Florida:

	June 30, '24	Dec. 31, '34	Dec. 30, '44	Dec. 31, '54	Dec. 31, '55
Number of all banks	299	156	173	226	238
Number of branches	1	...	1	1	...
Total banking units	300	156	174	227	238
Number of all banking units in relation to population	1 Per 3,200	1 Per 9,400	1 Per 10,900	1 Per 12,200	1 Per 11,600

Illinois:

	June 30, '24	Dec. 31, '34	Dec. 30, '44	Dec. 31, '54	Dec. 31, '55
Number of all banks	1,906	882	833	910	919
Number of branches	...	...	...	...	...
Total banking units	1,906	882	833	910	919
Number of all banking units in relation to population	1 Per 3,400	1 Per 8,600	1 Per 9,500	1 Per 9,600	1 Per 9,500

Kansas:

	June 30, '24	Dec. 31, '34	Dec. 30, '44	Dec. 31, '54	Dec. 31, '55
Number of all banks	1,293	743	619	602	601
Number of branches	...	...	...	...	...
Total banking units	1,293	743	619	602	601
Number of all banking units in relation to population	1 Per 1,400	1 Per 2,500	1 Per 2,900	1 Per 3,200	1 Per 3,200

Minnesota:

	June 30, '24	Dec. 31, '34	Dec. 30, '44	Dec. 31, '54	Dec. 31, '55
Number of all banks	1,422	689	673	680	681
Number of branches	11	6	6	6	6
Total banking units	1,433	695	679	686	687
Number of all banking units in relation to population	1 Per 1,700	1 Per 3,700	1 Per 4,100	1 Per 4,300	1 Per 4,300

Missouri:

	June 30, '24	Dec. 31, '34	Dec. 30, '44	Dec. 31, '54	Dec. 31, '55
Number of all banks	1,612	710	594	600	603
Number of branches	...	...	...	...	1
Total banking units	1,612	710	594	600	604
Number of all banking units in relation to population	1 Per 2,100	1 Per 5,100	1 Per 6,400	1 Per 6,600	1 Per 6,500

Nebraska:

	June 30, '24	Dec. 31, '34	Dec. 30, '44	Dec. 31, '54	Dec. 31, '55
Number of all banks	1,100	437	407	419	420
Number of branches	2	2	2	1	1
Total banking units	1,102	439	409	420	421
Number of all banking units in relation to population	1 Per 1,200	1 Per 3,100	1 Per 3,200	1 Per 3,200	1 Per 3,100

New Hampshire:

	June 30, '24	Dec. 31, '34	Dec. 30, '44	Dec. 31, '54	Dec. 31, '55
Number of all banks	123	113	107	110	110
Number of branches	...	1	3	3	3
Total banking units	123	114	110	113	113
Number of all banking units in relation to population	1 Per 3,600	1 Per 4,100	1 Per 4,500	1 Per 4,700	1 Per 4,700

Oklahoma:

	June 30, '24	Dec. 31, '34	Dec. 30, '44	Dec. 31, '54	Dec. 31, '55
Number of all banks	808	412	382	384	385
Number of branches	...	...	...	...	...
Total banking units	808	412	382	384	385
Number of all banking units in relation to population	1 Per 2,500	1 Per 5,800	1 Per 6,100	1 Per 5,800	1 Per 5,800

Texas:

	June 30, '24	Dec. 31, '34	Dec. 30, '44	Dec. 31, '54	Dec. 31, '55
Number of all banks	1,533	947	834	921	931
Number of branches	...	...	...	...	...
Total banking units	1,533	947	834	921	931
Number of all banking units in relation to population	1 Per 3,000	1 Per 6,200	1 Per 7,700	1 Per 8,400	1 Per 8,300

Continued from page 40

Today's National Bank System

foods, not now covered. A new exception will limit the amount of purchased instalment consumer paper, whether negotiable or non-negotiable, per dealer or discounter, to 25% of the bank's capital and surplus. We have seen cases where under the present exception, which has no limitation (exception No. 2), dangerous concentrations have occurred.

Title 12: Section 84(7)

We are recommending a change to cover obligations discounted by dealers in dairy cattle, also putting a limit of 25% of capital and surplus on the amount of paper permitted by this exception.

Title 12: Section 90

We are recommending that statutory authority be given for national banks to open and operate banking facilities at military posts upon request of the Secretary of the Treasury. Many of these are now being operated, and the Attorney General of the United States has ruled that they are proper, but it seems desirable to have specific statutory authority.

Title 12: Section 161

We are recommending that this section be amended to change from five to ten days the time within which national banks must transmit required reports to the Comptroller of the Currency.

Title 12: Section 163

We are recommending the repeal of this section which has to do with reports to the Comptroller of cash dividends declared.

Title 12: Section 181

We are recommending a provision to require approval of the actual purchase and sale agreement by shareholders owning two-thirds of the stock of any national bank before the assets of said bank may be sold to another banking institution in carrying out the liquidation of the selling bank.

Title 12: Section 248

We are recommending that this statute be amended to transfer from the Board of Governors of the Federal Reserve System to the Comptroller of the Currency the power to grant to national banks the right to act in fiduciary capacities and to transfer from the Board of Governors of the Federal Reserve System to the Comptroller of the Currency the power to promulgate regulations in connection therewith.

Title 12: Section 371

We are making four recommendations for changes in this section, which is better known as Section 24 of the Federal Reserve Act:

(1) To permit construction loans for industrial and commercial buildings for terms of not more than 18 months not to be regarded as real estate loans and to increase the aggregate limit on construction loans from 50% of capital to 50% of capital and surplus.

(2) To permit national banks to make loans on leaseholds which have at least ten years to run beyond the maturity date of the loan.

(3) To permit national banks to make loans to finance the construction of buildings upon the security of purchase contracts with the General Service Administration and the U. S. Post Office Department.

(4) To permit national banks to make working capital loans to manufacturing or industrial enterprises secured by liens on the physical properties of the enterprises, including plant real estate, without such loans being regarded as real estate loans.

Title 12: Section 482

We are recommending that the Federal Deposit Insurance Corporation and the Board of Governors of the Federal Reserve System shall pay to the Comptroller of the Currency annually for use in meeting expenses of examinations an amount equal to 50% of the expense incurred in examining state member banks and state nonmember insured banks.

Title 12: Section 1828(c)

Also known as 18(c) of the Federal Deposit Insurance Act. The recommendation on this section will be for the reintroduction of an amendment to the F.D.I.C. Act in the form which was considered and passed by the United States Senate in the last Congress. It is a most important piece of legislation, and you should take a close interest in it. The recommendation is as follows:

"It is recommended that this statute be amended to provide that no insured bank shall merger or consolidated with any other insured bank or acquire the assets of, or assume liability to pay any deposits made in, any other insured bank without the prior written consent of the appropriate Federal authority. It should also provide that in granting or withholding its consent, the approving authority must consider the factors enumerated in Section 6 of the Federal Deposit Insurance Act, and also must take into consideration whether the effect of the transaction may be to lessen competion unduly or tend unduly to create a monopoly. In the interest of uniform standards, the approving authority should be required to first seek the views of each of the other two banking agencies, and should also be authorized to request the opinion of the Attorney General of the United States."

Merger & Insolvent Bank

A recommendation is also being made that a new provision be enacted to provide that any national bank located within the same county may, with the approval of the Comptroller of the Currency, acquire by consolidation, merger, or purchase of assets and assumption of liabilities, another national bank which is found by the Comptroller of the Currency to be in a precarious financial condition, and permit the acquiring bank to continue the office or offices of the absorbed bank as branch offices, even though state laws do not permit the establishment of such branches. Our reason for suggesting this amendment is that situations have arisen in the past where communities in states, the laws of which either prohibit branch banking or provide for limited branch banking, have been deprived of needed banking services through the discontinuance of a national bank because of insolvency. Other nearby banks could and would have provided those communities with all necessary banking services through takeovers of the discontinuing banks and the establishment of branches at the locations of such banks if the branch banking laws had not prohibited their doing so. This would have substantially eased the problem of the bank supervisory authorities and been to the best advantage of all concerned. Similar situations may arise in the future. It would appear to be essential that a method of dealing with such problems and permitting the continuance of necessary banking services in such situations be provided through the recommended legislation.

This is the major part of our list of recommendations. There may be some which I have not outlined which should have been covered. They will all be available as the legislative program progresses, and I hope you will all take close and helpful interest in the subject. We count on your telling us what you think is good and what you think is unsatisfactory. We are hopeful that good and beneficial legislation will come out of this effort.

In closing, I again wish to thank all of you good national bank men for the fine way in which you work with the Comptroller's office and the great encouragement which your friendly attitude gives to those of us who are trying to do a good job for the national banking system and the country.

West Virginia:

	June 30, '24	Dec. 31, '34	Dec. 30, '44	Dec. 31, '54	Dec. 31, '55
Number of all banks	350	182	178	183	181
Number of branches	...	...	...	...	...
Total banking units	350	182	178	183	181
Number of all banking units in relation to population	1 Per 4,200	1 Per 9,500	1 Per 10,700	1 Per 11,000	1 Per 11,100

Wisconsin:

	June 30, '24	Dec. 31, '34	Dec. 30, '44	Dec. 31, '54	Dec. 31, '55
Number of all banks	993	624	559	558	557
Number of branches	9	94	141	150	150
Total banking units	1,002	718	700	708	707
Number of all banking units in relation to population	1 Per 2,600	1 Per 4,100	1 Per 4,500	1 Per 4,900	1 Per 4,900

Wyoming:

	June 30, '24	Dec. 31, '34	Dec. 30, '44	Dec. 31, '54	Dec. 31, '55
Number of all banks	116	60	56	53	53
Number of branches	...	...	...	...	...
Total banking units	116	60	56	53	53
Number of all banking units in relation to population	1 Per 1,700	1 Per 3,800	1 Per 4,500	1 Per 5,500	1 Per 5,500

District of Columbia (districtwide branch banking permitted)

	June 30, '24	Dec. 31, '34	Dec. 30, '44	Dec. 31, '54	Dec. 31, '55
Number of all banks	46	22	21	17	17
Number of branches	19	30	30	49	49
Total banking units	65	52	51	66	66
Number of all banking units in relation to population	1 Per 6,700	1 Per 9,400	1 Per 13,000	1 Per 12,200	1 Per 12,200

Straus, Blosser Branch

(Special to THE FINANCIAL CHRONICLE)

SPRINGFIELD, Mass.—Straus, Blosser & McDowell, members of the New York Stock Exchange, have opened a branch office at 1387 Main Street. Associated with the new office are Mary C. Cheves, Henry N. Fatzinger, Holden C. Harlow, Jr., Dale T. Harris, George M. Jasper, and Tom Speak. All were previously with Barrett Herrick & Co., Inc.

L. A. Everhart Opens

(Special to THE FINANCIAL CHRONICLE)

TALLAHASSEE, Fla. — Lee A. Everhart is engaging in a securities business from offices at 115 South Adams Street.

Three With Allen

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo. — David A. Leach, Fernando J. Obledo and Robert H. Wolford have joined the staff of Allen Investment Company, Mile High Center.

Continued from first page

As We See It

nomic planners and a number of others have been wagging their heads and asking one another what could and what should be done to revive the industry. The few who have had the temerity to wonder whether anything should be done to give artificial stimulation to this branch of industry have rarely been able to make themselves heard and when they have they are quickly cast aside as "anti-social" or something else equally unworthy. Almost every one seems to think something must be done and done promptly to get home building under way again. The only question, so these easy reasoners seem to suppose, is what to do.

Take It for Granted?

But are we to take it for granted that public welfare is served by finding some means to stimulate housing construction which would not of itself take place under conditions as they stand today? Of course, there are a good many who would like to own their homes. Of course, there are still more who would be glad of better housing whether owned or rented. But there are also many—and more often than not they are the same people — who want automobiles, washing machines, television sets, radios, and a dozen other appliances or gadgets. Many of them want and need a variety of other things. It may be that they need housing more than anything else, but who other than they themselves is the best judge of that?

Why should we assume that the politicians and the social workers are right when they insist that the resources of the nation be devoted in larger degree than otherwise would be the case to the construction of housing—and at the expense not of the individuals who are to use it but the general taxpayer who often is in no way benefited? Costs of building a house of any sort have already been sent into the stratosphere. This increase has not been confined to the years in which this Administration has been in office but it has continued apace during those years. The increase, as large as it is, does not appear for a moment to suggest to any of the reformers or politicians that possibly the whistle is no longer worth what it costs. Neither has it apparently occurred to any of them that the way to encourage the construction of the housing that is allegedly so much needed is to give costs a chance to shrink a little.

Take a look at the facts. According to the usual sources, a brick house that cost $10,000 to construct in the late 'Twenties, cost $25,690 in 1953, and today it costs $27,720. Larger units have risen in cost in the same way. An apartment house which in the late 'Twenties could be erected for $1,000,000, by 1953 cost $2,500,000. Today fully $2,750,000 would be required. Nor has there appeared any tendency for costs to decline or even to level off. Costs are some 5% higher than they were a year or so ago, and that despite the slackening off of construction operations. A government or a politician takes a great deal upon himself to tell the young couple that it would be wise in the long run for them to build a home for themselves at these prices and to inveigle them into going heavily into debt for that purpose.

The Best Thing

May it not be that the best thing that can be done for housing is to turn it back to the people who want or think they want homes—meanwhile, of course, taking away the roadblocks which the government itself has set up in the path of the would-be home builder?

Another common assumption which needs serious questioning is that the Federal Government should forthwith pour out huge sums in behalf of the education of the children who have been arriving throughout the length and breadth of the land in extraordinarily large numbers in recent years. Granted, of course, that the bulge in the child population has created an educational burden that the people of the country must not shirk. The increase in population in recent years, which is so often cited as a reason to expect many economic blessings in the years just ahead, is in point of fact certain to lay heavy burdens upon the working population for some years to come—educational as well as other—but why the Federal Government? Has the national government funds which it does not take from the people who could in their own way provide for the education of the day at the local level as has always been done in the past? Here is another bit of national paternalism which the rank and file would do well to question.

Then, is it not about time that the notion was challenged that this nation of people must pay the farmer for something that is not needed? Oh, of course, the Administration has had much to say about paying the farmer off in such a way that it will not add to the surpluses of farm products. It has concocted a "soil bank" program—all politicians are good at giving things fancy and usually misleading names—which it will use to siphon off funds from the pockets of the taxpayers. The fact remains, however, that the farmer is to get paid for doing something that has no market value. And, of course, the Democrats make no bones of the fact that they would deal generously with the embattled farmer. We think the time has come to challenge the whole idea of farm subsidy no matter what form it takes.

Perhaps the atmosphere will clear a little after November 6.

Continued from page 5

Income Tax Rules and Pointers For the Security Investor

is an under-six-month profit, because when he went short he owned the same stock for less than six months. If, when he went short he owned the stock for more than six months, the profit on the closeout of the short position is an over-six-month profit.

How Dividends Are Treated

Dividends are treated as regular income, but also get two special tax benefits. They are:

(1) The first $50 of dividends are completely exempt from tax. If a husband and wife each have stock of their own, or own stock jointly, the $50 exemption applies to each of them. That means $100 in total for both, whether they file separate or combined returns.

(2) On the remainder of the dividends, after the tax is figured in the regular way, the tax is then reduced by 4% of the amount of all dividends received. There is one limitation. This reduction in tax cannot be more than 4% of the year's net taxable income.

The dividends to which these two allowances apply are those from American companies that are themselves subject to tax. Even then, the allowances don't apply to dividends from "mutual" insurance companies and savings banks nor to the so-called capital-gain dividends of regulated investment trusts.

How to Convert Dividends and Interest Into Capital Gains

Because of the 25% tax limit on over-six-month profits, it is natural for people in high brackets to try to get that sort of profit rather than regular income. Here is a way to accomplish this: Suppose Jones, in the 91% bracket, has 100 shares of over-six-month preferred stock that cost him $100 a share. The stock is now worth $160 a share because of an accumulation of $60 of dividends which are about to be cleaned up. If he receives the $6,000 of dividends, he will have to part with 91% or $5,460 less $240 (4% of $6,000) or $5,220.

However, by selling the stock at 160, before the ex-dividend date (that is, at least four full business days before the dividend "record" date), he gets the same $6,000, but it is now in the form of profit from the sale of over-six-month stock. His tax on the $6,000 is therefore only 25% or $1,500, instead of $5,220—a saving of $3,720. If he still wants to maintain his position in the preferred stock, he can step right back into the market after the dividend date and buy 100 shares. That puts him back to where he started stock-wise, but ahead of the game by $3,720 tax-wise.

How Wash Sales Are Treated

If an investor sells stock at a profit, and then buys the stock right back, the profit is taxed. Not so with losses. There is a rule that says that no loss will be allowed on a sale, if within thirty days before or after the sale the same security is bought. This is known as a wash sale. The tax effect is as if the sale never took place.

The disallowance applies to a purchase not only of the same security, but also of substantially identical securities. Accordingly, the sale of a stock and the purchase of a voting trust certificate of the same stock, or vice-versa is under the ban. However, the loss will stand if the sale is of stock of one company, and the purchase is of stock of another, even though the two companies are in the same line of business, their stock sells at the same price, and moves market-wise in the same way.

The law confines the disallowance to "securities" but some decisions hold that for this purpose, commodities are securities.

How to Identify Securities Sold

Suppose Jones buys 100 shares of stock in 1954, at 70, and another 100 in 1955 at 80. In 1956 he sells 100 at 75. Does he have a five point profit or a five point loss? It all depends. If he delivers the 1955 certificates costing 80, he has a five point loss. If he delivers the 1954 certificates costing 70, he has a five point profit. He can make his own selection of certificates, and so he can control whether to have a profit or a loss.

The same result holds good if he instructs his broker at the time of the sale whether he wants to sell the 1955 block or the 1954 block. His instructions will control.

If he says nothing, and the certificates cannot be identified, the rule is that the 1954 block is sold first, because it was bought first.

How Commissions and Other Expenses Are Treated

Purchase commissions are additions to the cost of securities, and sales commisions are deductions from their sales price. Commissions therefore affect only the profit or loss on a trade.

State transfer taxes can be taken as a regular deduction. The rule on Federal transfer taxes is not clear. It has been held to be deductible by a trader in securities. Whether this also applies to an investor is uncertain.

It is an advantage to have a regular deduction because it can mean 91% saving in tax. As a reduction of profit or an increase in loss on a trade, the tax effect is limited to the tax rate that applies to the profit or loss.

Is interest on a debit balance in a brokerage account deductible? The answer is yes—with a "but". The mere interest charge by a broker is not enough to give the deduction to anyone who makes his return on the basis of cash coming in and going out. The interest must be actually paid to the broker. However, collections by the broker for the customer's account of interest and dividends on the customer's securities are looked upon the same as so much cash paid by the customer. So also are proceeds of securities sold.

Dividends and premiums on short sales are deductible. Other deductions include cost of investment counsel or advisory services, subscriptions to statistical services and investment literature, rent of safe deposit boxes, custodian fees for securities, office expenses, cost of professional services for preparing or defending tax returns.

Timing of Year-End Sales

Year-end tax selling, whether to take profits or establish losses, is a familiar occurrence. Timing is important, or else a transaction intended to affect 1956 taxes may turn out to be a 1957 item, and vice-versa. The reason for this is the interesting rule that profits are not considered realized for tax purposes until the securities sold are delivered to the buyer. Losses, on the other hand, are deemed to be sustained when the sale is made on the floor of the exchange, regardless of the time of certificate delivery.

As the various exchanges in New York have a four business-day delivery rule, this means that the latest day to take profits for inclusion in 1956 returns is Dec. 24. Securities sold on the next business day, Dec. 26, will not be delivered until Jan. 2, 1957 and the profit will therefore be a 1957 item. Between Dec. 26 and 31, securities can be sold for "cash" instead of the regular four-day delivery, and in that way profits can still be established for 1956. In the case of losses, they can be taken by sales made right up to the end of the year.

The rules just described apply to taxpayers who make their returns on the basis of cash coming in as distinguished from amounts owing to them. The technical name for the distinction is the cash basis as against the accrual basis. Taxpayers on the accrual basis can take profits or establish losses for 1956 by sales right through Dec. 31.

Orchids to You

Samuel E. Magid, President of Hill, Thompson & Co., Inc., New York City, presented all the ladies

Samuel E. Magid

attending the National Security Traders Association Convention in Palm Springs with orchids, following his annual custom.

Join Mutual Fund Assoc.

(Special to THE FINANCIAL CHRONICLE)

SAN JOSE, Calif. — Donald C. Armbruster, Walter C. Brune, and Mona E. Ling have become connected with Mutual Fund Associates, Incorporated, 1871 The Alameda.

Joins J. Earle May

(Special to THE FINANCIAL CHRONICLE)

PALO, ALTO, Calif. — Joseph Rogers has joined the staff of J. Earle May & Co., 601 Bryant Street. He was formerly with Harris, Upham & Co.

Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

The Government market after a period of consolidation, with very limited activity, broke out on the downside, with somewhat increased volume. This resulted in new lows being made in most of the marketable Treasury issues. According to reports, there has been selling by institutions, not only for tax purposes, but also in order to get money which is being put to work outside of the Government market.

Some of the recent new issues of corporate bonds have not gone as well as had been expected, and one of the reasons given for this is the selling which has been going on in some of the older outstanding corporate obligations by institutional owners. According to advices, the latter issues were sold at a discount and at prices that matched the yield of the new issues. This has taken some of the attraction away from the new flotations.

No Change in Reserve Policy

Because of the impending refunding and new money operation by the Treasury, no important change is looked for in the existing policies of the powers that be.

The policies of the monetary authorities continue to keep credit as tight as ever, and there is not likely to be any change in the immediate future because the demand for loanable funds is showing no signs yet of lessening. The current shortage of money is not going to be overcome until the volume of new investment is curtailed. The outlays for plant and equipment has risen to an annual rate of $38 billion and there are opinions that this figure will be exceeded in the near future. Despite the heavy expenditure for plant and equipment, consumers spending continues its rise to new peaks. It is evident that the over-investment which is presently confronting the economy raises the question as to whether it is possible to provide unprecedented quantities of everything all at one time.

Post-Election Possibilities

The election will soon be a matter of history, and the opinions around at the present time are that there will not be any change in monetary policies in the next few weeks irrespective of who wins. However, if there should be another upsurge in confidence with the re-election of President Eisenhower, it is believed in some quarters that an increase in the discount rate would not be unexpected. This would most likely bring about higher interest rates all through the list, including the prime bank rate.

On the other hand, if Mr. Stevenson is elected, it is believed by some money market specialists that there might be a time in which uncertainty would be the controlling force as far as business sentiment and the stock market action would be concerned. Under such circumstances, it is not expected that there will be any change in monetary policy either, because the powers that be will most likely want to see what the trend of business and market sentiment will be with a change in political parties.

Strains Developing in Economy

Offsetting the tremendous demand for loanable funds are developments in the economic picture which give indications of not being quite as vigorous as would ordinarily be expected under conditions of great need for money for expansion purposes. There are not a few industries in which the supply factor seems to have caught up with or surpassed the demand factor. This has already brought about price reductions in some industries and there are opinions around that it will be followed by similar developments in other industries. If the economic pattern is changing, and there is some evidence now that this is the case, then there should be some let-up in the demand for money in the future. To be sure, there is not likely to be any change in the restrictive policies of the monetary powers until there is more complete proof that the business picture is tapering off.

Government Bond Market Remains Unstable

Competition from higher yielding corporate and tax-exempt obligations continues to keep the Government market on the uncertain and defensive side. It has been a long time since the returns which are now available in non-Government securities have been at such attractive levels. Also, the yield spread between non-Governments and Treasury obligations is very much in favor of the former now. These features are resulting in a considerable amount of private trust funds making switches out of Government securities into the higher yielding corporate and tax-exempt issues. Also, savings banks as well as some of the smaller institutional investors have been sellers of Treasury obligations in order to get money which is being reinvested in non-Government bonds and preferred stocks. Tax switching within the Government list appears to have picked up somewhat, in spite of the pressure which is on these securities.

FHLB Notes on Market

Public offering of $123,000,000 Federal Home Loan Banks 3¾% Series G-1957, consolidated, non-callable notes dated Nov. 15, 1956, and due June 17, 1957, was made yesterday (Oct. 31) by the Federal Home Loan Banks through Everett Smith, fiscal agent of the Banks, and nationwide group of securities dealers. The notes are priced at 100%.

Proceeds from the sale of the notes will be used in connection with the retirement on Nov. 15, 1956, of $126,000,000 of the Banks' 3½% notes due on that date.

Upon completion of the offering and the retirement of the issue due Nov. 15, 1956, the Banks will have a total of $963,000,000 principal amount of notes outstanding.

Jesse Wood Opens

WARRINGTON, Fla. — Jesse Wood, Jr. has opened offices at 542 South Barrancas Avenue to engage in a securities business.

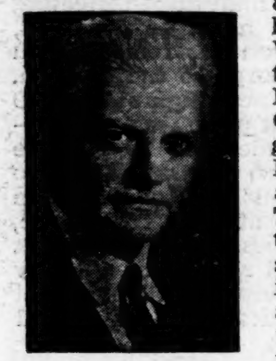
Shillinglaw, Bolger Adds

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill—Seymour S. Meyer has joined the staff of Shillinglaw, Bolger & Co., 120 South La Salle Street, members of the Midwest Stock Exchange.

Industrial Leaders To Address Analysts

Final arrangements have been completed by the New York Society of Security Analysts for its fourth regional convention Nov. 8 and 9, to be held at the Waldorf Astoria Hotel, New York City, W. Sturgis Macomber, President, has announced. Top executives representing major industries will address forums on the first day, while the second day will be devoted to field trips to nearby plants. Principal speaker at the dinner session will be Dr. Sumner H. Slichter, Harvard University professor, who will discuss "The Economy in 1957." More than 1,000 analysts are expected to attend.



Sumner H. Slichter

Industrial forums featuring discussions on atomic energy, electronics aircraft and guided missiles as well as petroleum construction, etc., will be addressed by officials of Aluminum Company of America, American Cyanamid, American Telephone & Telegraph, Boeing Airplane, Chance Vought, Consolidated Edison, Continental Oil, Douglas Aircraft, General Dynamics, Glenn L. Martin, National Lead, Newport News Shipbuilding, North American Aviation, Sperry Rand, Standard Oil of New Jersey and Union Carbide & Carbon.

Special exhibits are to be set up featuring new industrial developments illustrating progress in automation, electronics and nucleonics. Companies participating in this project include Daystrom, General Electric, International Business Machines, International Telephone & Telegraph, Sperry Rand and Western Union.

Companies which have invited analysts to inspect their plants include American Telephone & Telegraph, Bell Laboratories, Bethlehem Steel, Boeing, Curtiss, Wright, Thomas A. Edison, Johnson & Johnson, Long Island Lighting, Radio Corporation of America's Sarnoff Research center at Princeton, Sperry Rand, Texas Company and Worthing Corporation.

Phila. Inv. Women Educational Meeting

PHILADELPHIA, Pa. — Miss Joanna R. Wajda, Chairman of the Educational Committee of the Investment Women's Club of Philadelphia announces the second educational meeting to be held on Wednesday, Nov. 7, 1956 at 5:30 p.m. in the Board Room of the Fidelity-Philadelphia Trust Company. Joseph E. Welch, Executive Vice-President of the Wellington Company will speak on "Variable Annuities."

With Clifford Murphy

(Special to THE FINANCIAL CHRONICLE)

PORTLAND, Maine — John F. Choate is now affiliated with Clifford J. Murphy Company, 443 Congress Street.

Joins Brown Bros.

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — George D. Rattray has become connected with Brown Brothers Harriman & Co., 10 Post Office Square.

Harold B. Clark

Harold B. Clark passed away at the age of 77 following a brief illness. Prior to his retirement Mr. Clark had been a partner in White, Weld & Co.

Bank and Insurance Stocks

By ARTHUR B. WALLACE

This Week — Insurance Stocks

What similarities are there in insurance stocks that make them good media as investment trusts? Of course there are dissimilarities too; but fire and casualty insurance stocks do closely partake of the investment trust idea.

The insurance business originated primarily as a venture setting out to underwrite risks; in the early days the investment of their funds was a far less important consideration than it is today. Now, while the investing part of the business is secondary, or subordinate, to the underwriting, it nevertheless is contributory in an important degree. So far as the last named factor is concerned, it is rarely that we encounter a company whose dividend payments are not derived entirely from its investment operations, let its underwriting activities be as highly profitable as may be.

Indeed, companies such as Federal Insurance, Seaboard Surety, Fidelity & Deposit habitually run very large underwriting profit margins such as would justify worthwhile contributions out of underwriting profits to the stockholder's benefit, but just as habitually retain all underwriting gains in the business for growth.

A number of years ago Fidelity & Deposit did dip to a small extent into underwriting profit to fatten its dividend payment, but this was discontinued a good while ago. This is not to say that the shareholder never derives benefit from underwriting gains for he does at times receive a stock dividend; and his equity grows with underwriting gains.

If we were to set in parallel columns the investment holdings of a number of the larger investment trusts and also those of a number of the more important fire-casualty insurance companies, we would see great similarity of holdings. Also, there are trusts that are committed in their investment philosophy largely to bond or other fixed income media, just as there are insurance companies whose policy it is to stress heavily government, state and municipal bond investments. St. Paul Fire & Marine Insurance Company is a good example of such a unit. And, of course, the casualty specialists in such lines as compensation, accident and health, auto physical, always have their portfolios heavily weighted with bonds.

Even those insurance companies that concentrate a large proportion of their funds in common stocks do have substantial bond holdings. And the bulk of the investment trusts also do the same. The bond holdings give liquidity; and there are occasions when both groups need liquidity.

Taking a group of 18 large fire-casualty insurance companies and an equal number of large trusts we find that the management and expense factors of the insurance companies average out about 10% of investment income (before Federal taxes) while in the case of the trusts the average runs to 14.9% of gross income (excluding capital gains or losses). However, it is important to remember in this connection that insurance company investment departments, being adjuncts of the larger underwriting department, have the benefit of top personnel, office space, advertising, etc., to some degree.

Both insurance stocks and investment trust stocks are suitable for the smaller investor in that seasoned investment personnel of both do the research and other work connected with investment operations, things that the investor would be unable to do for himself.

Two chief dissimilarities are, first, the fact that the investor in insurance stocks, as already indicated, has the underwriting end of the business working for him, although the benefits reach him more indirectly than directly. Secondly, there is no like charge against an investor in insurance stocks to the usual 7% to 8½% charge that the trust includes in the trust share price when it is purchased. A third unlike feature is to be found in the fact that some investment trusts include life insurance in the price of the trust shares upon their purchase. In some cases insurance coverage runs as high as $30,000, and the fee charged is a relatively small one.

Yet another feature offered by almost all trusts is the automatic reinvestment of dividends. The trust investor may have automatically reinvested whatever dividend is due him on the trusts' security profits, retaining as income that portion of a given dividend that is derived from the trusts' dividends and interest.

Thomas Price V.-P. Of McAndrew & Co.

SAN FRANCISCO, Calif. — Alexander McAndrew, President of McAndrew & Co., Incorporated, Ross Building, investment firm, announced that Thomas W. Price has been elected a Vice-President.

Mr. Price, who is Manager of the Trading Department, has been with the McAndrew firm since its inception in 1948 and previously was with the predecessor firm of E. H. Rollins & Son since 1928. He is a past President of the San Francisco Traders Association.

Two With Keller Brothers

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass.—Charles E. Clapp, Jr. and Edward I. Kaplan have become connected with Keller Brothers Securities Co., Zero Court Street.

Broikou Opens

ROCHESTER, N. Y.—Peter A. Broikou is engaging in securities business from offices at 165 Dorington Road.

Railroad Securities

By GERALD D. McKEEVER

Chesapeake & Ohio

New records will be established again this year by the Chesapeake & Ohio, topping those of 1955 when unprecedented levels were reached by both revenues and net income. In retrospect, the results for the current year will make the forecast of the road's management appear most conservative in stating in the 1955 annual report released last February that "Best year that 1955 was, indications at the year-end were that 1956 will be equal to it, probably even better."

The forecast of President Tuohy of a little more than a week ago now makes the earlier comment a gem of understatement. In short, the 1956 revenues are officially placed at $410 million to $415 million, or some 10% higher than those of 1955, and 1956 net earnings were placed at the same time at "in excess of $65 million," or some 12% more than the approximate $58 million of 1955. Thus the 1956 estimate places the earnings for C & O common at more than $8 per share as against $7.25 for last year.

The generally accepted corollary to this is, of course, an increase in the common dividend, and particularly since the neighbor Norfolk & Western has announced an increase in the quarterly rate from 75 cents to 90 cents per share which, with the 60 cent extra, will bring the total payment for this year to $4.20 per share as against $3.75 for the last four quarters. On the question of a dividend increase, President Tuohy was both reassuring and cautious, stating that "there is a possibility that dividends on the common stock will be increased before the end of the year," but adding that consideration of any change by the road's board "depends upon the establishment of a rate that can be maintained far into the future."

In the final quarter of 1955 the C & O dividend was raised to 87½ cents, and it has been paid at this $3.50 annual rate thus far in the current year. The statement of the road's President thus could mean that the regular rate may not be changed, but that an extra might be included in the final payment for this year. On the other hand, if the regular rate should be increased, the implications would be bullish indeed since the warning that directors might not consider a rate that may not have a future might be regarded as somewhat of a commitment as to dividend policy, or at least as far as there can be a commitment on common stock dividends. The outcome is not expected to be known before Nov. 14 when the road's board is scheduled to meet.

One way or the other, the total payment for 1956 is expected to be $4 per common share, since this would be roughly in line with the 48½% ratio represented by the $3.50 annual rate established on the basis of the $7.25 per common share earned in 1955. At the 48½% pay-out ratio, a $4 per share total payment would call for net of $8.25 per share, and this is actually estimated by at least one well-informed source. This may be an "outside" figure, however, since it would call for net income of a little over $66 million as against the forecast of the road's President of net "in excess of $65 million." Using the latter figure, a 50 cent increase in the payment would require the passing on to common stockholders some 57% of the increase of $7 million or so that was suggested by the President's forecast.

There is some reason for a certain amount of cautious thinking on the dividend outlook since it was pointed out by the road's President that the 1957 capital budget calls for an outlay of $105 million as against $87 million in the current year. On the other hand, some $85 million of the 1957 total will be for additional diesels and rolling stock as against $69 million spent or to be spent for equipment in 1956. While a large part of the 1957 equipment outlay will be presumably financed as has been the case with this year's similar expenditure, the "down payment" could be upwards of $17 million, depending on bond market conditions. Thus the total cash requirement for the 1957 program, including the $20 million for way and structures could thus make substantial inroads on the increase in the 1956 cash net income which also contains a larger depreciation allowance.

Consequently directors may weigh the matter of conserving cash against the possibility of going into the market for additional capital, which was also indicated as being something for possible consideration around the middle of next year in view of the record $105 million budgeted for capital expenditures. This possibility is highlighted by the $13 million decline in cash and the almost equal decline in working capital as of last August compared with the corresponding 1955 figures. From the latter it is indicated that the Chesapeake & Ohio will not be able to duplicate this year the third record high of 1955, which was in its year-end working capital.

The gains made by the C & O in the past two years are associated primarily with its coal traffic. While its movement of diversified merchandise traffic has also grown vigorously, the C & O is still primarily a soft coal road, with revenues from this traffic again exceeding 50% of total freight revenues viz., 51.8% in 1955 as against 47.7% in 1954 and 49.8% in 1953. The resurgence of coal traffic is partly due to the sustained high level of steel industry operations, but recent gains are more largely due to the long haul movement of coal to export fostered by the economic assistance program revived in 1955. This traffic, moving all the way from mines in Kentucky, Ohio and West Virginia to Newport News, is not only highly profitable, but it is also showing rapid growth. It is expected that the total movement of coal for export will be 46 million tons, of which the C & O will handle 20 million. Last year the total export coal movement was 34 million tons, of which 15 million went by the C & O.

Headed by a former coal company executive, the C & O is aggressively pushing its coal business. One of the steps that have been taken has been the joining of hands with Mr. Lewis and his UMW to form a $50 million shipping concern to meet the problem of the availability of "bottoms" at rates which will keep U. S. coal competitive pricewise with the European product. The growth factor in the export coal business should be an important offset to the cyclical swings of the steel industry which have heretofore had pronounced effect on the earnings of the C & O. While less spectacular, the long-term growth of the demand from public utilities will also be an important stabilizer. At the present time the coal consumption by public utilities exceeds that of the steel industry by some 20%. Meanwhile, merchandise traffic is increasing steadily, as mentioned earlier. Revenue from this source is expected to reach $175 million this year, eclipsing the previous record of $163 million made in 1955.

Reflecting all this prosperity and growth, and also reflecting confidence in a larger dividend, C & O common has recently had a further upsurge to the 68 area. This marks a new high since 1929 when the peak price was approximately equivalent to 70 for the present shares, giving effect to the 4-for-1 split in July 1930. The yield of 5.15% at the current price, and on the basis of the present $3.50 dividend rate, is on the low side, and obviously the present price is predicated upon a dividend increase.

First Boston Group Offers Ohio Pow. Bds.

The First Boston Corp. and associates offered yesterday (Oct. 31), $28,000,000 of Ohio Power Co. first mortgage bonds, 4¼% series due 1986, at 100.848% to yield 4.20%. The group was awarded the issue on a bid of 100.038%.

Proceeds from the sale of the new bonds, together with the proceeds from the sale of 110,000 shares of additional common stock to the parent company, American Gas & Electric Co., for a cash consideration of $11,000,000, will be applied to the prepayment of $23,500,000 of bank notes and the remainder used to pay the cost of extensions, additions and improvements to the company's properties.

The new bonds will be redeemable at the option of the company at regular redemption prices ranging from 105.10% if redeemed prior to Nov. 1, 1957, to 100% if redeemed on or after Nov. 1, 1985; and at special redemption prices ranging from 100.85% if redeemed prior to Nov. 1, 1957, to 100% if redeemed on or after Nov. 1, 1985.

Ohio Power is engaged in the generation, purchase, transmission and distribution of electric energy for sale to the public at retail and at wholesale to other electric utility companies and to municipalities. The company serves 608 communities having an estimated population of 1,408,000. In addition, the company sells and cooperates with dealers in the sale and financing of electrical appliances to its customers. It has one wholly-owned subsidiary, Central Ohio Coal Co., which mines coal for use in Ohio Power's generating stations.

For the 12 months ended June 30, 1956, total operating revenues of the company amounted to $98,574,364 and net income to $17,766,677 compared with revenues of $95,006,914 and net income of $16,934,103 for the calendar year 1955.

Forms Raker & Co.

NORFOLK, Va. — Frederick S. Raker has formed Raker & Co. with offices at 7917 Tidewater Drive to engage in a securities business.

First Investors Branch

HUNTINGTON STATION, N. Y. —First Investors Corporation has opened an office at 1995 New York Avenue under the direction of Gustave Graff.

Opens Inv. Office

WEST HEMPSTEAD, N. Y. — Frank Leventhal has opened an office at 595 Colonnade Road to engage in a securities business.

G. Gresham Griggs

G. Gresham Griggs passed away Oct. 22 at the age of 68. Mr. [illegible], a lawyer and investment banker, maintained offices in Bridgeport, Conn.

Public Utility Securities

By OWEN ELY

New York State Electric & Gas Corp.

New York State Electric & Gas, with annual revenues of $82 million, serves over one-third of the area of New York State. The territory includes large dairying and farm sections, important resort areas, and a widely diversified number of industries, largely producing consumers goods. About 70% of the population of 1,400,000 is small-town or rural in character. Among the important cities served are Binghamton, Corning, Geneva, Elmira, Lockport and Ithaca.

Fabricated metal products are the most important industry served, accounting for nearly one-quarter of industrial electric revenues. Glass products are next, contributing 10%, while food products and shoes each account for 7%. Other industries making smaller contributions are office machines, mining, drugs, paper products, stone and clay products, textiles, plastics, munitions, etc.

Manufacturers of consumer goods include many of the well-known names such as American Can, Borden, Brown Shoe, Corning Glass, Endicott Johnson, Firth Carpet, Flintkote, General Electric, General Foods, General Motors, IBM and many others. The territory served is considered to be ideal for continued industrial development. Manufacturing enterprises with room for growth in uncongested regions, labor stability, a strong agriculture, and educational and cultural opportunities, are factors which combine to give the area a well balanced and stable economy.

The company has enjoyed remarkably steady long-term growth, with peak load, kwh. output and sales higher for every year since 1933. The long-term trend in load growth has been at a rate of 8% compounded annually, with about 10% in the past two years. Over half the company's plant has been installed since 1949, and 70% in the last decade. Nearly two-thirds of the generating capability of 752,000 kw. has been added during this period. Due to the substantial amount of modern capacity, fuel efficiency has increased over 30% since 1948, with a present favorable figure of 10,718 BTU per kwh. Purchases of power, which represented 42% of the system's output in 1948, have been practically eliminated except for some 25-cycle power in the Western Division.

The construction program for 1956 amounts to $25,000,000 and an additional $60,000,000 is planned for the two years 1957-58. The program includes a second 135,000 kw. addition to Milliken Station scheduled for completion in 1958, which will raise the company's generating capacity to 900,000 kilowatts. About $44 million of new money will be required during the three years 1956-8, in addition to cash generated internally. Current requirements are being financed by temporary bank borrowings which will approximate $12 million at the end of 1956. The company presently plans to sell $25 million of debt securities in the spring of 1957 or possibly later, and an addition $20 million in 1958. No common stock financing is currently planned before late 1958 at the earliest.

About 83% of the company's revenues are derived from electric operations and 17% from natural and manufactured gas. The residential load is heavy, accounting for some 46% of electric revenues, while commercial and industrial business contribute 20% and 21%, respectively. Average residential revenue per kwh. of 2.78c and annual consumption of 2,834 kwh. compare with 2.64c and 2,755 kwh. as the national averages.

Capital structure at the end of 1955 was as follows:

	Millions	
Mortgage Bonds	$116	43%
Debentures	14	5
Total Debt	$130	48%
Preferred Stock	38	14
Common Stock Equity	101	38
	$269	100%

For the 12 months ended Sept. 30, share earnings were $2.90 on 3,337,475 shares, compared to $2.94 on 3,034,068 shares in the previous 12 months. Income in the latest period was increased by 13c a share as a result of Federal income tax savings resulting from accelerated depreciation, together with an adjustment in employees' vacation compensation.

For the calendar year 1956 President Joseph M. Bell, Jr. predicted earnings of $2.87 exclusive of the Federal tax savings mentioned above. Assuming normal weather and continuance of existing business conditions, earnings for 1957 may reach $3 excluding special tax savings, he predicted.

New York State Electric & Gas has been selling recently on the New York Stock Exchange at 37, the year's range being 39¾-36⅝, and last year's 45-38. It is possible that the stock has been affected moderately by the weakness in Niagara Mohawk Power: New York State was affiliated with Niagara Mohawk in a plan to build a big hydro plant at Niagara Falls and it now looks as though this project would go to the New York State Power Authority, headed by Robert Moses. Based on the current indicated dividend rate of $2 the stock yields 5.4%, and sells at 12.9 times estimated calendar year earnings of $2.87.

Bankers Offer Schick Stock at $19.25 a Sh.

An underwriting group headed by Merrill Lynch, Pierce, Fenner & Beane and Hayden, Stone & Co., on Oct. 30, offered 500,000 shares of $1 par value common stock of Schick Incorporated at $19.25 per share. All of the shares offered are issued and outstanding and are being sold for the account of Florence Schick Gifford. No proceeds from the sale will accrue to the company.

The company's common stock is listed on the American Stock Exchange but the company proposes to make application to transfer the listing of its stock to the New York Stock Exchange as soon as practicable after this sale.

Principal business of the company and its operating predecessor has for the past 26 years been the manufacture and sale of electric shavers and accessory products. At the present time the company manufactures the Schick "25" electric shaver for men and the "Lady Schick" electric shaver for women. This year, for the first time, the Schick "25" is available in four distinctive colors. The "Lady Schick" is also available in four colors, in addition to two deluxe models retailing at higher prices.

For the eight months ended Aug. 31, 1956, the company had a net profit of $1,638,979 on net sales of $15,629,568, compared with a net profit of $809,646 and net sales of $11,873,083 for the like period a year earlier.

Continued from page 7

Taking a Long View of the Bank Holding Company Act

might have to ponder a while in applying the statute in such different situations.

It is clear that the statute is not intended to prevent bank holding companies from expanding at all. Only if the expansion threatens to go beyond limits consistent with sound banking, the public interest, and the preservation of competition does the Act require that such expansion be restrained. The problem is to determine just where those limits are in a particular case.

It is, of course, impossible to devise mathematical formulas that automatically will determine these limits. For example, it cannot be flatly said that a holding company which controls, say "X" per cent of the bank deposits in a particular area should be permitted to expand further, and that another company which controls "X+1" per cent should not be allowed to expand. I do not mean that such evidence of concentration should not be considered; it simply is not conclusive. There may be circumstances in which the proposed acquisition of a bank by a holding company would be entirely justified, even though the company already controls substantially all the other deposits in the particular area. Such would be the case, for example, if the bank to be acquired were in a failing condition and its acquisition by the holding company were the most appropriate—perhaps the only—way to maintain its existence.

Questions Arising From Interpretations

In addition to problems of this kind, the Board is obliged to consider questions arising in the interpretation of the language of the statute. A number of such questions have already arisen. What, for example, is a "bank" within the meaning of the statute? Despite the seemingly clear statutory definition, the Board at this very moment is trying to determine whether it covers an institution which is engaged in activities that add up to something very close to a banking business. Suppose prior to the Act a controlled bank made loans secured by stock of its holding company: Must they be called? May they be renewed? May a holding company, having bought up all the banks it wants in the State of its domicile, change its domicile to another State and go on expanding? Or—to take what some holding companies may regard as the $64 million question—what activities are so "closely related to the business of banking" that they may be exempted from the divestment provisions? These may seem to be simple questions; but it is surprising how often the particular facts of a case make it difficult.

Such difficulties in administering the statute are aggravated by the fact that it brings the Board into what for it is a novel and strange field. Rarely in the past, for example, has the Board had occasion to hold formal administrative hearings. The new Act contemplates such hearings. When a bank holding company makes application to the Board for approval of a proposed transaction, the Board must seek the views of the appropriate State bank supervisor or the Comptroller of the Currency. If these views are unfavorable to the proposed acquisition, the Board must hold a formal hearing; and this is mandatory even though the Board also might be inclined to deny the application. On the other hand, if these views are favorable to the proposed acquisition, we may make an adverse or unfavorable determination without having granted a hearing. This may seem illogical, but it is what the law provides.

No hearings have yet been held, but when they are, you can be sure that the rights of all parties will be safeguarded in every way possible. The principals will be permitted—and expected—to file pleadings, present evidence, examine witnesses, submit proposed findings of fact and conclusions of law, and so on. It is quite conceivable that the Board soon may find itself conducting several of these hearings simultaneously in different parts of the country—usually not in person, fortunately, but through trial examiners.

It must be borne in mind that this is a criminal statute and in the final analysis its interpretation will rest with the Department of Justice and the courts. The Board, of course, must interpret the statute to some extent in order to carry out its functions. But, in a large measure, as I indicated previously, the Act is self-executing and requires no action by the Board. For example, a subsidiary bank is prohibited from making "upstream loans" to its parent holding company or "cross-stream loans" to its sister subsidiaries. Whether this provision has been violated in a particular case would be determined by the Department of Justice and the courts, but in all probability we would have uncovered the facts in the course of our supervisory work.

Board's Other Duties Affecting Banking

It is not necessary to remind you that besides its new functions under the Holding Company Act, the Board has many other duties that affect banking. Almost daily, under other provisions of Federal law, we must pass upon applications for branches, mergers, membership in the System, voting permits requested by holding company affiliates, trust powers, and what not. At the same time, we must see to it that member banks are carefully examined and that appropriate supervisory measures are taken to transform "problem banks" into good ones.

In addition, the Federal Reserve System has even more fundamental responsibilities: in the field of credit and monetary policy. It must ever be alert to changing economic conditions and be prepared to determine when and how to exercise the tools of credit regulation — reserve requirements, discount rates, and open market operations—in order to aid in the maintenance of a stable and growing national economy. These are grave responsibilities and the Federal Reserve System must and does take them very seriously.

Board Has Moved With Deliberation

You will understand, therefore, why the Board has moved with deliberation in carrying out the new duties superimposed by the Bank Holding Company Act upon the many other functions already entrusted to it by Congress. Several months elapsed after the enactment of the Act before we adopted Regulation Y, even though that regulation is largely concerned with the procedures to be followed by holding companies in filing applications. Similarly, standard forms for use under the Act—the registration statement and application forms—were adopted only after weeks of careful study and after they had been published in the Federal Register with an invitation for comments and suggestions from all interested persons. Because of the time consumed by our deliberation, and in the interests of fairness, we extend the registration date for all holding companies until after the first of the year.

By now you will have noticed that I have not attempted to explain in detail the Holding Company Act, or to discuss all its technicalities, or to analyze closely its underlying philosophy. What I have attempted to do is to give you, in a few words, some idea of the task which the Board of Governors faces in carrying out its responsibilities under the new law, and to solicit your aid and cooperation. The enactment of the statute, by itself, is by no means a solution of the "holding company problem"; as a famous Speaker of the House of Representatives said: "One of the greatest delusions in the world is the hope that its evils can be cured by legislation."

Requests Constructive Criticism

In its administration of the statute, the Board will undoubtedly make mistakes, for it is not composed of supermen—a fact of which all of you are only too well aware. Its judgments will not always be perfect. Its decisions will not always be popular; those that independent bankers like may not be relished by holding companies, and those which they like may not be popular among you. But, fortunately, the Board of Governors is not seeking popularity; it is seeking only to carry out its functions under this statute in accordance with the will of Congress. In so doing, it will welcome your constructive criticism; and I hope that you will maintain a close interest in this subject and feel free at all times to give us your comments and suggestions, as many of you have done in the past. There may be occasions when your suggestions will not be followed—perhaps because the Board will have information not available to you—but that should not preclude you from being critical of our actions; or even from praising us, if you must, when our decisions seem praiseworthy!

Remember that we are working in a new field and under a statute which admittedly contains many imperfections. Within two years the Board is required to report to Congress regarding any obstacles encountered in the administration of the statute and to recommend amendments. We invite your help in seeking to improve and perfect the statute so that its objectives may be accomplished in absolute fairness to all concerned and in the best interests of both sound banking and free enterprise in the banking field. Only with such help can the Federal Reserve System continue to discharge its responsibilities effectively and in accordance with the principle enunciated by Henry Clay; "Government is a trust, and the officers of the Government are trustees; and both the trust and trustees are created for the benefit of the people." And to me, that means all of the people, not any one group — no matter how numerous or how powerful."

2 With Griffin McCarthy

(Special to THE FINANCIAL CHRONICLE)

MIAMI, Fla.—Robert W. Fremont and Carol M. Marshall have been added to the staff of Griffin McCarthy, 8340 Northeast Second Avenue.

Noah Niedenthal

Noah Niedenthal, associated with Bache & Co., passed away Oct. 16 at the age of 68. Mr. Niedenthal had been with Bache for 52 years.

Securities Salesman's Corner

By JOHN DUTTON

Don't Neglect Your Customers When Markets Go Down

When markets are unsettled and people are uneasy, and in a quandary as to the future, markets will go down. This is the time to stay close to your customers and reassure them of the soundness of their investment. Many securities men dread the task of facing up to a client when some of their pet recommendations have declined in price, or are selling below the price they originally offered them. But this is more of a mental hazard that is peculiar to the salesman than it is to the customer.

I would like to reemphasize this point again. Take the case of an average customer. You have sold him securities for a number of years. He must have had confidence in you and your recommendations or he would not have done business with you in the first instance. Then comes a period of down markets. His securities have declined in price but so have many others. He knows this and he doesn't expect miracles. Not if he is a reasonably intelligent investor. But there is one thing he does expect, namely, that you continue to demonstrate the same faith in the securities you sold him now as you did when he bought them.

The time when your customer wants you to discuss his investments with him, and the time he desires to hear from you, is in periods of declining markets when investors are not overconfident. If you avoid him, if you don't call him as regularly as before, and if you don't write to him if he is an out-of-town client, then he will become concerned and you may have difficulty in retaining his confidence for the future.

Expose Yourself to Business

Another important point to remember during such periods is to avoid the contagious pessimism that comes from conversations with other men in the business who are only too ready to share their troubles with a willing listener. The other day I spoke with an old friend who is a customer's representative for another firm (and a good one too), and I asked him, "How's business George?" He replied, "I am sure glad you telephoned, I was just about ready to fall asleep." Now an innocent joke like that can affect your thinking and if you spend time commiserating with other salesmen about bad business, falling markets, and that sort of thing, you are going to let some of it rub off on you.

But if you are alert and you go about your business calling your customers, keeping them up to date on the latest developments concerning their securities, you are going to find out that they are not at all so pessimistic as you might otherwise believe them to be. Before long you are going to run into some business. There will be tradeouts, and opportunities to average some accounts; there will be tax sales and reinvestments and you may even run into a few people who have some ideas about investing some fresh money if they only had a few good suggestions.

And even more important than the immediate business which may result, you are going to maintain the proper relationship with your clients. They are going to rely on you for investment suggestions over the years if you have sold them properly. This is the important objective. If your customers know that you are thinking of them when you don't have something to sell, and when we are in periods of declining markets, and you call them and give them assurance that their holdings are intrinsically sound, you have gained good-will and solidified your relationship with them for the future.

Call your customers, give them the facts, keep them thinking of you when they think of their investments, and you will find that they will not need much reassuring—in fact, many of them will be pleased to give you an order if you can show them an opportunity for acquiring a good security at a more attractive price than it was selling three months ago.

New Mgrs. Appointed by First Calif. Co.

LOS ANGELES, Calif. — First California Company, has just announced the appointments of F. Stuart Roussel as Resident Manager and John L. Gaunt as Sales Manager of the Southern Division of the firm. Roussel and Gaunt, both Vice-Presidents, will pilot activities at the Los Angeles office, headquarters for 13 First California branches throughout the Southland.

Well known in the Los Angeles securities and investment business, Mr. Roussel was born in London, England, in 1903. He was educated in England, France and Holland and is a graduate of the University of Lausanne in Switzerland. Arriving in the United States in 1925, he became assistant to the Foreign Advertising Manager of Socony Vacuum Company in New York City. He entered the securities and investment business with a major New York company in 1927 and shortly after moved to Los Angeles, remaining with the same firm for 17 years. In 1946 he became a Vice-President of First California Company.

The company's Sales Manager, John L. Gaunt, was born in Belington, W. Va., and educated at Columbia University, where he received both Bachelor's and Master's degrees. During the first world war he was Assistant Chief of Staff of the Twenty-ninth Division and after the war was Assistant Educational Director of the Army University at Beaune, Cote d'Or, in France.

Gaunt entered the securities business in New York in 1919 and came to Los Angeles in 1925. Since 1925 he has been associated with First California Company and its predecessors.

N. Y. Inv. Ass'n to Hear

The Investment Association of New York will hold a luncheon meeting on Oct. 24 at Schwartz's Restaurant. Speaker will be Albert J. McIntosh, Chief Economist for the Socony Mobil Oil Company.

Join Security Planning

(Special to THE FINANCIAL CHRONICLE)

WEST PALM BEACH, Fla.—Helen F. Carr, Kent S. Prevost and Richard S. Stadelhofer are now with Security Planning, Inc., Harvey Building.

W. L. Mast Opens

LAS VEGAS, Nev.—Wayne L. Mast is conducting a securities business from offices at 322 Carson Street under the firm name of W. L. Mast & Co.

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Observations . . .

ment management is also highlighted strikingly via the respective attitudes toward the income tax. Not even under our current capital-annihilation tax rates does a "collector" of ATT shares achieve a net monetary (or aesthetic) saving by giving the certificates to a museum. Nor, as Mr. Cobleigh typically contends, do paintings have a special attribute of scarcity value. *Fashion* is the crux. Scarcity has an influence only if the artist is in fashion. Vermeer, Van Eyck, and Giorgwne are typical of artists who were always scarce, but only became valuable since their coming into fashion. Judith Leyster, on the other hand, exemplifies an unfashionable artist whose *scarcity* is ineffective price-wise in the absence of fashionableness.

Fashion in art is the broadly diffused standard of taste set by the members of society whose wealth or prestige is such that their choices are imitated, creating in turn a market demand.

While propaganda and publicity are indeed important, they are not controlling. They as often follow the inception of a fashion as they precede it. A fashion is set when certain works of art fill certain psychological, social needs. The aesthetic valuation and the financial valuation are also influenced by these needs; a demand is created, which determines prices. The period of the maintained demand may be short or protracted, semi-permanent, or even permanent; but the duration is completely unpredictable.

Fashion, which I use synonymously with *taste*, may, if it continues over a long enough time-span, become a *tradition*, as in the case of the relatively steady values attached to "Old Masters." But a tradition may also be upset, as when given sufficient sociological change.

In any event, the unpredictable variations of aesthetic judgments from period to period completes the impossibility of correlating aesthetic values and financial appraisal.

Correcting the Box Score

Thus we believe to be irrelevant to investment; and unfortunately voicing popular misconceptions in both fields, Mr. Cobleigh's "investment" advice to profit-seeking collectors, as enumerated in his "Box Score" of this chapter, as follow: ". . . whatever you collect should have a potential market value. Buy from a reputable art dealer. Develop independent judgment. Watch for newcomers. Collect paintings of deceased painters so scarcity can work for you."

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Re-Defining American Liberalism And Real Risks of Enterprise

to require the employer to give evidence of bargaining in good faith. But, he adds, this should not preclude the right of management to disagree with union spokesmen as to proper costs. Mr. Wilson has suggested that, if management can show legitimate disagreement after demonstrably bargaining in good faith, it should have the right to seek employees elsewhere. Such logic obviously runs counter to prevailing union ideology, but the general tendency to look away from such reasoning is related to the current leak in the inflation dikes, despite six increases in the rediscount rate in 16 months by the Federal Reserve Banks and despite the success of the Eisenhower Administration in ending the budgetary deficit in the past fiscal year and achieving a surplus.

Affable Labor Relations vs. Dollar Stability

Certainly while the political campaign is on, no one will be inclined to look at such realities. At the moment, it is tempting to choose affable labor relations rather than a dollar of stable purchasing power. But the objective analyst has an obligation to call the shots as he sees them.

The first step toward candor is to clarify the climate in which this subject is approached. The alleged spirit of "liberalism" of the employer is irrelevant. For proof, see the fiasco in the labo[illegible] South Bend. The employer does not through liberality take wages out of his own pocket. On the contrary, he is a go-between, who brings the worker [illegible] with the customer, who in all probability is another worker. The customer, in paying the selling price of goods and services, is expected to defray all the costs incurred. Accordingly, the function of management in dealing with the cost sheet is to exercise judgment as to how customers will later react to decisions now being made. If customers refuse to ratify deals and feel that the businessman has priced his product out of the market, then the so-called agreement is little more than a scrap of paper.

Allocating Productivity Increases

In dealing obliquely with aspects of this hotly charged subject, spokesmen have used language loosely. For example, management propagandists have asked that labor costs not rise faster than productivity. But the improvement in productivity should not precisely equal the rise in labor costs. On the contrary, the productivity improvement should be the ceiling beyond which increased costs should not go. But this does not mean that in a well ordered economic society, 100% of the increment in productivity, which reflects better tools, more power technology, and improved techniques, should go to the members of the strongest unions. Management has been expected to exercise honest judgment in the role of umpire in allocating the benefits among three groups: employees, owners, and customers.

The great need is to resell to all groups the philosophy of Henry Carey, the head of the Philadelphia School of Economics, who in his great book "The Harmony of the Interests" gave the key to an improving society. Carey's doctrines are the very reverse of Karl Marx's philosophy of internal class warfare. Carey did not want to heighten conflict by pitting group against group, but by sweet reason pointed out that the segments benefit when the whole is in balanced relationship. The goal for workers should be more and better things in exchange for a week's work—more results for a given expenditure of human effort. That is feasible in a scientifically prolific society in which harmony and reason prevail. The alternative is to give the appearance instead of the substance of progress. The alternative is to create the illusion of well-being through inflation.

$35 Million Bonds of Quebec Hydro Agency Offered to Investors

An investment banking group headed by The First Boston Corporation and A. E. Ames & Co. Incorporated is offering publicly $35,000,000 Quebec Hydro-Electric Commission 4¼% debentures, series P, due Dec. 1, 1981, at 99% to yield 4.32%. The issue, which is guaranteed unconditionally as to principal and interest by the Province of Quebec, will be payable in United States funds.

Proceeds from the sale of the debentures will be applied to the Commission's expansion program. Between Jan. 1, 1951 and June 30, 1956, the Commission made capital expenditures of approximately $368,000,000 and has a program for such spending which began Sept. 30, 1955 of about $495,000,000 through 1962, of which $415,000,000 remained to be spent as of June 30, 1956. It expects to have available from its operations and provision for reserves about $225,000,000 for this latter period. After the sale in October of $25,000,000 of series O debentures in Canada and the series P debentures currently being offered, the indicated balance of approximately $130,000,000 will be obtained through additional borrowings.

The new debentures will be redeemable at the option of the Commission at prices ranging from 103% if redeemed on or after Dec. 1, 1966 to 100% after Dec. 1, 1978.

The Commission is an agency of the Crown in right of the Province of Quebec. It was created by Act of Legislature of the Province in 1944 and is empowered to generate, acquire, sell, transmit and distribute electricity and gas throughout the Province which is the owner of the properties of the Commission.

For the six months ended June 30, 1956, the Commission reported total operating revenues of $37,739,000 and net income of $13,185,000. For the calendar year 1955, total operating revenues were $69,161,000 and net income $25,281,000.

Outstanding long-term debt of the Commission at June 30, 1956, adjusted to reflect issuance of the series O and series P debentures, amounted to $431,847,300.

With Harris, Upham

(Special to The Financial Chronicle)

CHICAGO, Ill.—James T. Sennett has joined the staff of Harris, Upham & Co., 135 South La Salle Street.

Three With Reynolds

(Special to The Financial Chronicle)

CHICAGO, Ill.—Arthur C. Roberts, Russell G. Schmitt and George E. Wright have become associated with Reynolds & Co., 39 South La Salle Street. Mr. Roberts was formerly with Walston & Co., Inc. Mr. Schmitt was with Freehling, Meyerhoff & Co., and Mr. Wright, who has been in the investment business for many years, was recently with Shillinglaw, Bolger & Co.

Shearson, Hammill Adds

CHICAGO, Ill.—Marcus Borinskin has been added to the staff of Shearson, Hammill & Co., 208 South La Salle Street.

Continued from page 4

The State of Trade and Industry

be armed with strong arguments to beat off possible criticism, concludes "The Iron Age."

The cost of living rose 0.3% in September to a record of 117.1% of the 1947-49 average, the United States Department of Labor's Bureau of Labor Statistics reported. Clothing prices led the climb.

The increase raised the consumer price index 0.1% above the previous high of July and was 1.9% higher than in September, 1955. The rise came after the index had gone down 0.2% during August.

At the same time the Bureau stated that net spendable earnings of factory production workers reached a record high for the month in September. The agency said the purchasing power of these wages was also the highest on record for the month. Ewan Clague, chief of the Bureau, said these trends will continue upward to a record for any month in December, normally the peak month for earnings.

The cost of living increase means a two cent to four cent an hour rise in pay for some 300,000 workers, mostly in the electrical industry.

Mr. Clague predicted the price index for October would not show much change from the September record. He said "we know" some factors will be up in October. Among these he named rents and other services and higher prices on new model cars which are coming on the market.

In the automotive industry the past week a 62% gain in output at General Motors Corp. and a 23% decline at Chrysler Corp. steered the auto industry into a 22.5% increase in production.

"Ward's Automotive Reports" counted 108,493 passenger car completions in domestic plants for last week compared with 88,557 in the previous week and 158,430 in the like week in 1955.

Last week's volume swelled the industry's 1957 model production count to 380,000 units or some 24% below the original timetable.

The statistical agency said Chevrolet car building in the prior week ranged to its highest point of the year as Buick, Oldsmobile and Pontiac improved during their second week of 1957 assembly.

Elsewhere operations were marked by a wildcat strike at Chrysler Corp. but steady volume at Ford Motor Co. and remaining producers, pushing United States car building since Jan. 1 to 4,561,370 units.

In prospect for this week is the 2,500,000th car of 1956 at General Motors Corp., which is the only Big Three producer operating on its production target this month.

Meanwhile, United States truck building was steady last week, totaling to 20,991 units following 21,651 in the week preceding. The same year-ago week netted 24,151 completions.

The Federal Reserve Board re-examined its consumer credit barometer and found the public owed $2,400,000,000 more than previously reported for Aug. 31.

The revised set of consumer credit statistics released by the Board in the October issue of its monthly bulletin increased debt figures for all categories, except auto loans, from August back through 1948. Auto paper outstanding at the end of August was $800,000,000 less than previously reported.

Officials stated that the revision was based on more recent information for the years 1953-1955 received from the Census Bureau. The last time the Board overhauled its consumer credit statistics was in 1953.

Steel Output Set This Week at 101% of Capacity

The 13-year highway program will be a big opportunity market for steel and metalworking products through the 1960s, "Steel" magazine reported on Monday last. It said the program will require nearly 50,000,000 tons of steel, plus large amounts of new equipment.

It declared that most of the steel required will be for structural shapes, plates, piling and reinforcing bars which have been and will continue to be in tight supply. It may be years before expansion plans catch up with demand for structural shapes and plates.

The publication said the construction equipment industry particularly can look for a boom. Equipment needs are expected to rise 20% a year.

The road program will spread beyond steel and constuction machinery. Also benefiting will be makers of restaurant and motel fixtures, service station equipment, plumbing supplies and hardware. Sales will extend to electronics. Seventeen state highway departments have either installed, or have on order, electronic computers for engineering purposes. Most of the remaining states are investigating them.

The metalworking authority said there is enough soundness in the outlook to lead a large steel producer to believe steel ingot production next year will average 91% of capacity. Since capacity will rise to approximately 132,000,000 net tons, it means next year's yield would be approximately 120,000,000 tons, a record. The present one is 1955's 117,000,000 tons.

The scrap market reflects expectations of continued good steel business. It is firming again. "Steel's" price composite on steelmaking scrap rose in the week ended Oct. 24 to $57 a gross ton or 33 cents over that of the preceding week. "Steel's" price composite on finished steel holds at $137.48 a net ton. German steel base prices and extras are up a total of $9 a net ton. They have been below those of the United States and Western Europe.

The American Iron and Steel Institute announced that the operating rate of steel companies having 96.1% of the steelmaking capacity for the entire industry will be at an average of 101% of capacity for the week beginning Oct. 29, 1956, equivalent to 2,486,000 of ingot and steel for castings as compared with 101.2% of capacity, and 2,491,000 tons (revised) a week ago.

The industry's ingot production rate for the weeks in 1956 is based on annual capacity of 128,363,090 tons as of Jan. 1, 1956.

For the like week a month ago the rate was 101.8% and production 2,506,000 tons. A year ago the actual weekly production

was placed at 2,400,000 tons or 99.4%. The operating rate is not comparable because capacity is higher than capacity in 1955. The percentage figures for 1955 are based on annual capacity of 125,-828,310 tons as of Jan. 1, 1955.

Electric Output Shows Further Mild Increase the Past Week

The amount of electric energy distributed by the electric light and power industry for the week ended Saturday, Oct. 27, 1956, was estimated at 11,391,000,000 kwh., an increase above the week ended Oct. 20, 1956, according to the Edison Electric Institute.

The past week's output rose 58,000,000 kwh. above that of the previous week; it increased 732,000,000 kwh. or 6.9% above the comparable 1955 week and 2,239,000,000 kwh. over the like week in 1954.

Car Loadings in Week Ended Oct. 20 Showed a Fractional Rise Above Prior Period

Loadings of revenue freight for the week ended Oct. 20, 1956 increased 5,584 cars or 0.7% above the preceding week, the Association of American Railroads reports.

Loadings for the week ended Oct. 20, 1956, totaled 828,741 cars, a decrease of 337 cars or 0.04% below the corresponding 1955 week and an increase of 82,796 cars, or 11.1% above the corresponding week in 1954.

U. S. Passenger Car Output the Past Week Registered a Gain of 22.5%

Car output for the latest week ended Oct. 26, 1956, according to "Ward's Automotive Reports," climbed 22.5% above that of the preceding week as output at General Motors Corp. showed a 62% gain for the week.

Last week the industry assembled an estimated 108,493 cars, compared with 88,557 (revised) in the previous week. The past week's production total of cars and trucks amounted to 129,484 units, or an increase of 19,276 units ahead of the preceding week's output, states "Ward's."

Last week's car output rose above that of the previous week by 19,936 cars, while truck output declined by 660 vehicles during the week. In the corresponding week last year 158,430 cars and 24,151 trucks were assembled.

Last week the agency reported there were 20,991 trucks made in the United States. This compared with 21,651 in the previous week and 24,151 a year ago.

Canadian output last week was placed at 6,453 cars and 1,975 trucks. In the previous week Dominion plants built 5,769 cars and 1,953 trucks and for the comparable 1955 week 5,102 cars and 600 trucks.

Business Failures Edge Upward to Highest Level in Ten Weeks

Commercial and industrial failures increased to 267 in the week ended Oct. 25 from 254 in the preceding week, according to Dun & Bradstreet, Inc. At the highest level in 10 weeks, the toll exceeded the 230 occurring a year ago and the 223 in 1954. However, casualties remained 11% below the 300 recorded in the comparable week of prewar 1939.

All of the week's increase centered among small failures, those with liabilities under $5,000, which rose to 56 from 38 in the previous week and 31 last year. Failures involving liabilities of $5,000 or more dipped to 211 from 216 a week ago, but were above their 1955 level of 199. Liabilities in excess of $100,000 were incurred by 26 of the week's casualties as compared with 30 in the preceding week.

Trade and service enterprises accounted for the increase in failures during the week. The retailing toll climbed to 130 from 119, wholesaling to 32 from 26 and commercial service to 21 from 14. Slight declines appeared in manufacturing failures, down to 51 from 54 and in construction, off to 33 from 41. More businesses failed than a year ago in all lines except construction.

Six of the nine major geographic regions reported heavier casualties, including the Pacific States where the toll jumped to 73 from 53 and the Middle Atlantic States where the toll edged to 96 from 95. Declines during the week were concentrated in three areas: the South Atlantic, East South Central and West South Central States. Year-to-year increases prevailed in five regions with marked upturns from 1955 in the Middle Atlantic, West South Central and Mountain States. There was no change from 1955 in the West Central States, while tolls dipped below a year ago in the New England, South Atlantic and East South Central Regions.

Wholesale Food Price Index in Latest Period Equals Six-Month Low Attained Three Weeks Ago

The wholesale food price index, compiled by Dun & Bradstreet, Inc., declined to $5.97 on Oct. 23, to equal the six-month low recorded two weeks earlier. The current level compares with $6.01 last week and marks a drop of 1.3% from $6.05 on the corresponding date a year ago.

Moving upward in wholesale price last week were flour, wheat, corn, rye, oats, butter, coffee and lambs. Lower were beef, hams, bellies, lard, cottonseed oil, cocoa, beans and hogs.

The index represents the sum total of the price per pound of 31 raw foodstuffs and meats in general use and its chief function is to show the general trend of food prices at the wholesale level.

Wholesale Commodity Price Level Turns Mildly Higher Following Lower Trend of Preceding Week

The general commodity price level halted its downward trend and edged slightly higher the past week. The daily wholesale commodity price index, compiled by Dun & Bradstreet, Inc., registered 294.31 on Oct. 23, as against 293.71 a week earlier. It compared with 274.37 on the corresponding date a year ago.

Grains developed strength following declines in the early part of the week. Continued drought over the Winter wheat belt was the main supporting factor for wheat.

Although rains in the previous week were extensive in the Southwest, the moisture situation is still serious in many sections. The possibility of economic aid being extended to Poland was also a bullish factor in wheat.

Cash corn prices showed weakness at times as producer marketings continued in liberal volume. Exports of corn during September were estimated at 5,000,000 bushels, bringing total exports for the October-September season to about 105,000,000 bushels as against 92,000,000 for the 1954-55 season. Trading in grain and soybean futures on the Chicago Board of Trade increased sharply last week. Daily average purchases of 48,800,000 bushels, compared with 34,500,000 the previous week and 47,200,000 a year ago.

Price incentives were still lacking and all types of bakery flours continued in limited demand with widely scattered bookings confined to bakers and jobbers in early need. Export sales were fair. The UN was reported to have purchased an aggregate of 10,000 tons of flour, for January arrival at Beirut and Port Said.

Coffee prices remained firm under broad demand by roasters for mild coffees. Buying was influenced largely by the uncertainty in the shipping outlook and current good consumer demand for coffee.

Cocoa values continued to work lower as manufacturer interest remained dull and routine. Warehouse stocks of cocoa declined moderately to 345,207 bags from 352,185 a week earlier and compared with 228,086 bags a year ago. Trading in lard was fairly active last week with prices moving irregularly higher. Hog prices were quite steady as the western run of swine has been holding consistently smaller than a year ago. Prime steers were mostly steady but developed considerable weakness toward the close as market receipts expanded sharply.

Spot cotton prices maintained a steady undertone during most of the past week.

Supporting influences included the increasing movement into the loan and predictions that the soil bank will retire a large cotton acreage next year.

Reported purchases of cotton in the 14 markets last week totalled 337,000 bales against 537,900 in the preceding week and 284,100 in the same week last year. Exports of cotton during August, according to the Census Bureau, amounted to 423,000 bales, the largest monthly volume in 20 months. CCC loan entries during the week ended Oct. 12 totalled 257,000 bales, bringing net loan entries for the season through that date to 1,117,900 bales compared with 768,700 to the corresponding date last season.

Trade Volume in Latest Week Adversely Affected by Unseasonably Warm Weather

Unseasonably warm weather discouraged consumer buying the past week and retail trade fell slightly below that of a year ago. Retailers reported noticeable volume reductions in home furnishings and some apparel lines.

Interest in new automobiles was stimulated by the introduction of 1957 models, while volume in used cars declined noticeably.

The total dollar volume of retail trade in the period ended on Wednesday was 4% below to unchanged from a year ago, according to estimates by Dun & Bradstreet, Inc. Regional estimates varied from the comparable 1955 levels by the following percentages: New England, South and Northwest —4 to 0; East and Middle West —5 to —1; Southwest —2 to +2; and Pacific Coast 0 to +4%.

There was a considerable decrease in purchases of major appliances, television sets and lamps last week.

While sales promotions somewhat encouraged the buying of floor coverings, sales of draperies, linens and blankets decreased moderately. Although total volume in furniture fell slightly, interest in dinettes sets and bedding climbed moderately. A noticeable rise occurred in purchases of china, glassware and gifts. The call for hardware, building materials and fireplace equipment remained at the level of the preceding week.

Apparel stores reported a considerable decrease in the buying of men's topcoats and suits. However, volume in men's sports shirts and furnishings expanded appreciably.

While the call for women's suits and sportswear declined noticeably, interest in better dresses and coats continued at the level of the previous week.

Sales of fashion accessories fell moderately, with the most noticeable decreases in millinery, hosiery, and handbags.

While the call for butter continued high and steady, sales of cheese and eggs decreased the past week. Interest in fresh meat and poultry was sluggish. Volume in canned goods, fresh produce and frozen food was unchanged.

Attracted by early Spring showings, retailers increased their buying of men's and women's apparel and outdoor furniture last week. Wholesale trade moderately exceeded that of both the previous week and the corresponding 1955 week.

Department store sales on a country-wide basis as taken from the Federal Reserve Board's index for the week ended Oct. 20, 1956, decreased 3% below those of the like period last year. In the preceding week, Oct. 13, 1956, an increase of 5% was reported. For the four weeks ended Oct. 20, 1956, an increase of 2% was recorded. For the period Jan. 1, 1956 to Oct. 20, 1956, a gain of 4% was registered above that of 1955.

Retail trade volume in New York City the past week dropped slightly below the similar period of 1955, due to warm temperatures in the forepart of the week.

According to the Federal Reserve Board's index, department store sales in New York City for the weekly period ended Oct. 20, 1956, decreased 6% under those of the like period last year. In the preceding week Oct. 13, 1956, an increase of 10% (revised) was recorded. For the four weeks ending Oct. 20, 1956, an increase of 6% was registered. For the period Jan. 1, 1956 to Oct. 20, 1956 the index recorded a rise of 5% above that of the corresponding period in 1955.

Nat. Bank of Detroit Offering Underwritten

The National Bank of Detroit, Michigan's largest bank, is offering to the holders of its common stock rights to subscribe at $52 per share for 263,400 shares of additional common stock at the rate of one share for each ten shares held of record at the opening of business on Nov. 1, 1956. The subscription offer will expire at 3 p.m. (EST) on Nov. 21, 1956. The offering is being underwritten by a group of investment firms headed by Morgan Stanley & Co.

Of the proceeds of the sale of the additional common stock, $2,634,000 will be credited by the bank to common stock, $6,000,000 to surplus and $5,063,000 to undivided profits. The directors of the bank recommended the increase in capital funds because of the accelerated growth of population, trade and industry in the Detroit area and the increasing importance of the city as a financial center, which have resulted in an expanding demand for loans and other banking services.

Adjusted to reflect the sale of the 263,400 shares and the issuance of 34,000 shares in effecting a merger with two smaller banks, total capital funds of the bank will be approximately $134,400,-000, compared with $119,540,466 at Sept. 30, 1956 and there will be 2,897,400 common shares outstanding.

Since its organization in 1933, total deposits have increased from $189,693,000 at Dec. 31, 1933, to $1,795,637,000 as of Sept. 30, 1956 and total resources from $215,-553,000 to $1,934,741,000. The bank has been among the 20 largest commercial banks in the United States since 1934, and as of June 30, 1956, in amount of total deposits it was the 11th largest commercial bank in the United States.

For the nine months ended Sept. 30, 1956 net operating earnings were $10,164,441 compared with $8,905,175 for the corresponding period of 1955 and net earnings for the two periods were $8,578,-773 and $8,130,439, equal to $3.30 per share and $3.13 per share respectively.

The bank has paid cash dividends on the common stock in each year since 1934. Quarterly cash dividends of 50 cents per share were paid in February, May and August of this year. A dividend of like amount declared payable Nov. 10, 1956 to shareholders of record on Oct. 12, 1956, will not be paid on the shares being currently offered.

Joins Irving Weis

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—Gerald B. Rivlin has become affiliated with Irving Weis & Co., 141 West Jackson Boulevard.

With Myrl D. Maynard

(Special to THE FINANCIAL CHRONICLE)

FREEPORT, Ill.—Floyd E. Linneman is now with Myrl D. Maynard & Co., State Bank Building.

Robert Lewis Adds

(Special to THE FINANCIAL CHRONICLE)

ROCKFORD, Ill. — Harley E. Swanson has been added to the staff of Robert G. Lewis & Co., Rockford Trust Building, members of the Midwest Stock Exchange.

Eaton & Howard Adds

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Richard E. Houghton has been added to the staff of Eaton & Howard, Inc., 24 Federal Street.

Walter S. Heller

Walter S. Heller, Partner in Heller, Bruce & Co., San Francisco, passed away Oct. 4 at the age of 66. He had been in ill health for a number of years.

Continued from page 3

What's Ahead for Interest Rates

demand for capital throughout the postwar period. It has taken not only practically all of the new savings accumulated in savings accounts and savings and loan associations, it has absorbed some two-thirds of all the new funds accumulated by the life insurance companies. It has taken even more, as they also liquidated government securities. Moreover, despite the drop during the first half of 1956 of 18.4 percent in housing starts, and the drop from 1,937,000 old and new houses sold to 1,808,000, a drop of 6.7%, mortgage closings of $13,501,000,000 were down only 3%! Higher prices and bigger houses required practically as much money as the considerably larger number of houses required in the first half of 1955.

Capital expenditures for new plant and equipment have absorbed $250 billion during the past 10 years — $64 in 1955-56 alone. Fortunately, the major portion of this came from internal sources such as depreciation, depletion and profits plowed back. Nonetheless, corporations in the first half of 1956 had to turn to the securities markets for a record-breaking $5.2 billion of new money.

There is every prospect that rising wages will force a continuation of these high levels of capital expenditures, in the effort to offset higher wage costs with more efficient plant and equipment. For example, 1956 expenditures for plant and equipment will reach $35.3 billion, which will be 23% more than during 1955. In fact, during the present quarter such expenditures are at the annual rate of $38 billion, which is 50% greater than during the first quarter of 1955! Or, looking a little further ahead, the steel industry plans to spend $6.3 billion for expansion during the five years, 1956-60!

Bank Credit—Supply and Demand

The "supply" of bank credit, enormous as it is, has likewise proved unequal to the unprecedented demands being made on it. This is not surprising as the demand for bank loans has soared to heights undreamed of just a few years ago. In fact, in the '30's bank loans were viewed, even by many bankers, as a vanishing economic species. Nonetheless, today most banks are loaned-up. Bank credit is being rationed and marginal borrowers find it difficult, if not impossible, to get accommodation. (This, of course, presents a golden opportunity for commercial finance industry — if it can get the money to lend!)

This problem has developed to the point where it is considerably more than just a question of reserves at the Federal Reserve Banks. Capital is a limiting factor in many cases, as is evidenced by the current wave of bank capitalization increases. A steady shift of deposits from the primary financial centers is another limiting factor, which is of special interest to the commercial finance industry. For example, since Jan. 1, 1955, the business loans of the New York City banks increased some $3 billion, but adjusted demand deposits, instead of increasing, actually declined because of this shift and liquidation of government securities.

But the most important limiting factor, other than reserves, is the steady increase in the ratio of risk assets (loans and other than government securities) to deposits. For example, in the New York City banks, the ratio of such risk assets to the deposits of individuals, businesses, and state and local governments has risen from 81% a year ago to 91% today. In weighing these ratios, their limited holdings of bills and certificates and the reduced liquidity of their other holdings of governments also should be kept in mind.

In short, even if reserves were made available, many banks would still have to follow a restricted loan policy.

Credit Demand Side

On the demand side, in contrast, there seems to be no limit to the plans and needs of borrowers. Every category of bank loans, except those for purchasing or carrying securities, shows an increase over a year ago. In particular, commercial, industrial and agricultural loans of the Reporting Member Banks are up more than $5 billion to $29.2 billion at the end of August, an increase of 22% over August 1955.

Tax acceleration, inventory accumulation, the increased cost of doing business, heavy plant and equipment expenditures (a part of which is being carried by the commercial banks), and the steady increase in consumer borrowing have all contributed to the unprecedented demand for bank credit.

Consumer credit, only a part of which is financed by the commercial banks, as you well know, hit a new high of $37.5 billion at the end of August, a gain of $3.9 billion over August 1955.

Probably the most serious aspect of the present credit situation is the growing tendency to shift capital borrowing from the capital market to the commercial banks. The higher rates in the capital market have caused corporations with undoubted credit standing to borrow from the commercial banks at the prime rate. This fluidity, especially under present circumstances, creates abnormal conditions in both the money market and the capital market.

Revival of the Threat of Inflation

This heavy volume of borrowing comes at the very time that wage increases, buoyant consumer psychology and a coming substantial increase in government spending have revived the threat of inflation.

Wage and fringe cost increases of 5% or more per year in recent years have outrun productivity increases of 3-4%. For example, United States Steel, in its annual report for 1955, says that between 1940 and 1955 the average annual increase in employment cost per employee-hour was 8% compounded, and that since the increase in productivity was much less, it was necessary to increase steel product prices 119%. (As proof of their contention, they cite the fact that net income as a percent of sales was less in 1955 than in 1940, despite the higher operating ratio of 1955!)

Higher wages insure increased spending for cost-cutting and labor-saving plant and equipment. Higher wages and increased social security practically guarantee increased consumer spending for goods and services. In fact, consumer spending has risen every year since 1938. Such spending naturally presses toward higher prices. But the most important aspect of today's consumer spending is that price no longer seems important — only the down-payment counts these days.

In view of these economic pressures, particularly the exuberant consumer psychology, it is not surprising that after four years of virtual stability, prices have resumed their upward trend. As you know, prices have risen on a wide range of goods and services — most foods, clothing, haircuts, whisky, etc., in addition to products made from steel!

The government adds directly to those inflationary pressures, as government spending is on the upward march. As the First National City Bank points out in its October "Monthly Letter," *non-defense* spending in the two years since fiscal 1955 has been rising at the rate of 9% a year, whereas national income has been rising at only 5% a year. Putting the inflationary impact in another way, the "Letter" points out that in fiscal 1957 Federal revenues are expected to reach $69.8 billion and state and local government revenues are expected to take $30 billion more, giving a total government take of $100 billion, out of a national income that is currently running around $340 billion a year. This works out at 29%, which is higher than in many socialist countries!

Add to these pressures, full employment, with many people holding two jobs, and more wives working than even during the war, and the reasons for the Federal Reserve tight money policy are easy to see.

Present Credit Policy

Well, what is this tight money policy of the Federal Reserve? In a nutshell, they have stopped supplying reserves for further credit expansion. To make loans today, commercial banks in general, particularly the New York City banks, must sell government securities. And, as a practical matter, since they are down below bedrock on their shorts, they must sell longer issues on which a loss must be taken. This, they are naturally reluctant to do.

May I repeat, the Federal Reserve banks have not reduced reserves of the member banks. They have just stopped supplying reserves for further credit expansion, as they feel we already have about all the inflationary pressures we can handle.

Outlook for Interest Rates

Whether judged by business activity, capital supply and demand, credit supply and demand, price pressures, or Federal Reserve credit policy, the outlook for interest rates is for a continuation of tight money until there is a slowing up in business activity, a consequential increase in saving, a reversal of the upward price trend, or a politically intolerable increase in unemployment. As I do not foresee any of these in the immediate future, I do not anticipate any appreciable easing for a while. This does not mean that I expect Treasury Bills to continue to bring 3%, nor that the Federal may not supply some reserves for the seasonal expansion of credit which is upon us, or even for the heavier Treasury financing. But, if they do, it will be of a temporary character until basic conditions change.

Once, however, business activity turns down—as it will—and the inflationary pressures give way to deflationary forces, money rates will be lower. As to when this will happen, let us say, possibly some time in '57—but not later than some time in '58!

Conclusions

Inflation has been defined as the condition where nobody has enough money because everybody has too much money! That summarizes today's conditions. A downward price readjustment would remedy the problem. A drop in business activity would solve it. A change by the Federal Reserve from its present passive policy of letting supply and demand fight it out to an easy money policy could end it, but the price would be too high as it would cause a further decline in the purchasing power of the dollar.

Money and capital today are tighter than they have been since the 'twenties, but they are not scarce—in fact, the totals are unprecedented! What we have is a shortage of credit and capital in relation to today's prices, business volume and *exaggerated* demand. Until such time as this imbalance is removed, money will remain tight and you will have to live with it.

This conclusion is, of course, predicated on a continuation of the freedom of the Federal Reserve authorities from political domination.

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Impact of Flexible Money Upon Commercial Banks

times the economy would be operating at less than full employment and the Federal Reserve would attempt to encourage spending by promoting easier money conditions. This action would have the effect of bringing about a further decline in interest rates. Hence, if we are willing to admit that business fluctuations are not extinct, we must conclude that one of the effects of a flexible money policy is to accentuate the swing in interest rates. It would, therefore, appear reasonable to assume that future interest rate swings are likely to be considerably greater than was true in the 20 years prior to 1951. Such has been the case in most recent years, when interest rates rose sharply to mid 1953, declined to about the third quarter of 1954 and increased subsequently.

What does this mean for bankers? Commercial banks may be viewed as the intermediary by which Federal Reserve policies are made effective. Federal Reserve action has its most direct effect upon bank reserves. Bank adjustment to these changes transmits the effects to the total economy. This would seem to mean that we, as bankers, have an obligation to understand and explain to our customers the factors that bring about changes in the condition of the money market and banking operations. We should make sure that our customers understand that banks are merely adjusting to changing demand and supply conditions and not merely trying to extract their "pound of flesh." At this juncture it is worth noting that despite the record earnings anticipated by most banks this year, the return on capital employed remains substantially below the average level for most other types of business. For the first time in many years, the price of banking services are free to fluctuate with changing demand and supply conditions. We must correctly inform the public of the reasons for those fluctuations if we are to maintain the confidence and cooperation of our customers. Since we have a common interest in promoting economic stability, our task of explaining the reasons for the current tight money position is made easier. Also since money is no longer always freely available, this means that in providing financial advice to others, we should encourage longer term planning so as to insure the availability of financial resources when needed.

The greater fluctuations in interest rates means fluctuations in bond prices. There is incentive for giving increased attention to achieving an even run-off of investment funds above seasonal and temporary requirements by diversifying maturity holdings. Such a policy assures that liquid funds will always be available. The amount of capital losses suffered by banks in times like the present would therefore be minimized. A staggered maturity policy will also assure at least an average rate of return as banks will be going to the market regularly to invest funds derived from matured securities.

Projects Deposit and Money Growth Rates

The flexible money policy also has important implications for 50 years, the average increase in the money supply and total spending has been nearly 6%. The average annual increase in the production of goods and services has been only about 3%. Hence, our economy has suffered an average annual increase in prices of nearly 3% per year. The current policy of adjusting increases in the money supply and total spending to the increases in real output implies a much lower rate of growth in bank deposits than has been characteristic of the past half century. On the basis of our estimate of the potential increase in real output in the next five years, we believe that an increase in the money supply of 4 to 4½% per year would be more than adequate to finance the required growth. In the happy event that all inflationary pressures are eliminated and the economy remains at near full employment, it is entirely conceivable that a 3½% annual growth in the money supply, and hence bank deposits, would be adequate. If an individual bank is to realize a growth in excess of 3½ to 4½% per year, it must do a better competitive job than others or benefit from sectional or local shifts in population and deposits. The rate of growth of the Midwest economy and bank deposits is approximately the same as that of the nation. However, deposit growth in the suburbs of urban areas is greatly in excess of growth within the metropolitan centers and rural areas. It would seem then that if we take the flexible money policy seriously, we must conclude that the rate of deposit growth in the banking system as well as in the Midwest will be substantially below the long-term average.

Less Need for Over-All Liquidity

Although we cannot accept the idea that the economy will never have any economic downturn, we should be well aware of the contribution flexible money can make. As indicated earlier, we believe that it provided considerable support to the economy in the 1953-54 recession, particularly in the housing and other consumer durable goods areas. Historically the money supply and bank deposits declined sharply in periods of business recessions. Since it is currently the objective of the Federal Reserve to promote monetary expansion in periods of business recessions, we are less likely to be subjected to severe deposit drains. Bankers are less likely to be forced to liquidate their banks over the teller's window. This point is particularly relevant if we also consider the increased stability provided by the insurance of deposits through the Federal Deposit Insurance Corporation as well as the stated willingness of the Federal Reserve to provide funds to the banking system in periods of crisis. Perhaps bankers need not be quite as concerned with over-all liquidity as was true before this progress was made. These arguments, of course, do not mean that individual bankers can avoid deposit drains in the event customers lose confidence as a result of poor operating practices or because of adverse local business trends. They do point up the reduced dangers of forced bank liquidations resulting from monetary

causes beyond the control of the individual banker.

Upward Interest Rate Trend

What are the implications of these developments for bank profits? Banks are now enjoying rising earnings due to: (1) higher average interest rates and (2) the redistribution of bank assets from investments to loans. Are these trends likely to persist? Certainly we cannot give an unqualified opinion on this matter. However, there is reason to believe that the long-term trend in interest rate is up rather than down. Even if this is true, we should keep in mind that the long-term trend will almost certainly be interrupted by infrequent cyclical swings. In considering the question of the interest rate trend, we must ask the more basic question: Do we have a stagnant economy with excess savings or, alternatively, is our economy better characterized as possessing dynamic growth and the problem of financing current investments through voluntary savings? We believe it is the latter. If this is true, why did we have 25 years of low interest rates? The great depression in the decade prior to World War II generated a very low demand for credit and, hence, interest rates remained low. We have argued that even though cyclical fluctuations are probable, recent developments including monetary-fiscal progress, have reduced the probability of another such protracted decline.

During and following World War II, when the economy was rising rapidly, the "peg" policy of the Federal Reserve prevented the normal increase in interest rates by providing, through inflationary bank credit increases, whatever funds were demanded by the private and public sectors of the economy. It is now clear that a return to such a policy would be inconsistent with a program designed to maintain economic growth and stable prices. Therefore, the factors accounting for the low level of interest rates in the years prior to 1951 appear to be of a non-recurring nature and are not likely to exert similar pressures in the future. So long as our basic problem remains one of financing current investments through voluntary savings, it seems reasonable to believe that the interest rate trend will be upward even though interrupted from time to time by cyclical swings.

Need to Improve Capital Position

Commercial banks have been in a trend toward higher loan ratios throughout the post World War II period with the only exceptions occurring in the two recession periods. As our economy continues to grow and credit demands increase, loans are likely to continue to rise. Since we have argued that deposit growth will be only moderate, it seems probable that the current trend toward higher loan-deposit ratios will continue. Even if this is true, however, it is perhaps well to recognize that the recent rate of rise in interest rates, as well as the rate of rise in loan-deposit ratios, has probably been much greater than we should expect on average. Nonetheless, if these trends persist as expected, it may mean that unless something is done to improve the capital position of banks, risk assets will continue to rise relative to bank capital. We should bear in mind, however, that the changing nature of bank assets may justify a revision in our traditional concepts of capital adequacy. Nonetheless, a substantial expansion in risk assets may make it necessary for banks to give more attention to capital needs. Since the continuation of the trends under consideration suggest higher earnings for banks, despite the outlook for a slower deposit growth rate, it should be possible to improve bank capital positions by either retention of earnings or the sale of additional capital stock at relatively favorable prices.

Bank operating expenses are likely to continue to mount even if most inflationary pressures are removed from the economy. The low rate of population growth during the 1930's assures that the relative additions to the labor forces in coming years will be well below the rate of growth in the total population. Hence, personnel costs will continue to rise. Automation holds some promise for achieving cost reductions in operations, particularly in the middle sized and larger banks. Also, the upward trend in interest rates implies bond losses on average. But this is clearly a less important factor in determining bank earnings than the enhanced income resulting from current loans and investments at higher rates of return.

On the whole, it seems probable that flexible money, and all that it implies, means that the banking industry is entering a more profitable era with brighter prospects than before even though new problems have arisen. The achievement of greater stability in the nation, if this is possible as most of us hope and believe, should be of great benefit to the banking industry as well as other sectors of the economy.

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Growth Versus Dividends In the Chemical Industry

year another chemical manufacturer went into the oil business.

Present and Future

One thing is clear, however, and that is that we are going to spend a record amount, one billion, four hundred thirty-three million dollars, to expand capacity this year, and 1957 should be even better with over one billion, five hundred seventy-six million dollars worth of new capacity slated for construction. In announcing these plans, we're following in our own footsteps—in **each** of the past four years the chemical industry has invested more than a billion dollars in new plants.

Now what of the future? Has our industry reached its maturity and commenced to level off? We think not. Recently, some of these chemists and engineers spent some time with me peering into the crystal-ball in an effort to give you a sort of sneak preview of the future. Unfortunately, scientists aren't as gifted as Merlin—or even Winchell—when it comes to make predictions—but we do enjoy catching a comet by the tail, catapulting off into space, and sort of floating around on the wings of our imagination, catching glimpses of what's around the chemical corner. And, here's what we see ahead.

To some of you, what I'm about to say may sound as if we had all been reading too much Buck Rogers — but when you compare the so-called "good old days" at the turn of the century with life in these mid-fifties, and consider all the changes which science and technology have wrought — then these thoughts about the future become a lot less fantastic. Indeed, unless we are able to make some of these dreams come true, I fear we shall not be able to keep pace with the stork who is reported to be depositing babies on our doorsteps at the rate of more than seven a minute.

Attacking Salt Water

Already, for example, we face a water shortage, brought on **in part** by this booming birth-rate plus a number of other complicated factors—with the result that in some parts of the United States the lowering of the water table is even now a matter of concern. And this is why, I expect, so many scientists these days are trying to find a cheap and practical way for converting salt water into fresh water.

So far, we have attacked the problem from a number of different angles, but unfortunately, nobody yet has figured a way to pump water from the sea, and remove the salt by a process which is economically practical on a large-scale, for say, irrigation purposes. We are able to do this in a small way, as you know, through the use of base-exchange resins which are responsible for the success of the device which those cast adrift in the ocean now use to secure fresh water.

But the operation of these interesting resins requires some form of energy — a regenerating energy which costs money. That is why, so far, we haven't been able to use them in very large-scale commercial operations, Maybe the answer will come when we discover a new type of base-exchange resin which can be renewed by those plentiful and powerful light particles sent to us by the sun—those particles that today energize the new solar batteries of telephones and radios.

To solve this pressing technological problem perhaps we should attempt to copy Mother Nature who uses a most ingenious low energy system for demineralizing water—utilizing one of the most marvelous organs of all — the human kidney. One of the secrets of her success is that she is able to do this work with relatively little effort (she uses only a small amount of energy to do the job.) And that's what we must learn to do, if we are ever to make the sea a reservoir capable of turning deserts into fertile fields.

Harnessing Floods and Light

Helping us to increase our water supply, however, is only one of the ways in which I think the sun will be able to aid us in the future. We must, I think, learn how to harness its enormous power—that daily floods the earth with several thousand times more energy than man consumes. All this is not so far-fetched when you consider that in a hundred years, perhaps fifty, some experts predict that the United States may find it necessary to heat and cool some of its homes, and run some of its factories, by solar methods — in order to conserve atomic power and fossil fuels. These predictions make sense too, when you recall that fuel needs for 2055, s projected, are expected to dwarf the entire energy requirements of the United States today.

With this in mind, scientists are actively working on devices which can convert photons (particles of light) into useful energy. Those of us in the chemical industry are vitally interested in this project, because ultimately this would mean that the price of the kilowatt would come down, enabling us to produce chemicals by electric furnace operations or by electrolysis, instead of relying on conventional fuels to supply us with the heat we need to produce our reactions.

Another source of energy expected to grow in importance in the years ahead is, of course, atomic power. It's estimated that by 1980, 100 million kilowatts of power will be generated from atomic energy. In addition to lighting our homes and turning the wheels of our factories, however—it's predicted that all naval ships started after 1960 will be nuclear powered.

Transportation and Shelter

This is just one of the changes foreseen in transportation, however. On land it's expected another invention—the development of the turbine or free piston engine for automobiles will bring about revolutionary changes. Its introduction will, I predict, have widespread repercussions, in both the oil and chemical industries, resulting in the production of entirely different types of fuels and lubricants — some of them, perhaps, completely synthetic.

Also coming—if we prognosticators are right—are far-reaching alterations in another vital segment of our lives — shelter. In fact, we visualize two different types of houses—permanent and transient. Both will make increasing use of plastics—which we feel are just now beginning to come into their own as important building materials — some half-billion dollars worth went into construction last year.

Right now, they are being widely used as interior surfaces, for floor and wall tile, in skylights, translucent roofing, electrical devices, insulation, and indoor paints. Other outlets—catching on fast — are in pipe, hardware, luminous ceilings, and light fixtures. Visualized for the future are great synthetic domes covering both house and garden and bringing push-button controlled climate; plastic plumbing fixtures; and molded bathrooms which can be shipped in relatively small, lightweight 12-piece packages.

Some of these ideas will be demonstrated in the plastic "House of Tomorrow" designed at the Massachusetts Institute of Technology under the sponsorship of Monsanto — and soon to be erected at Disneyland.

Improving on Stone, Sand and Soil

Great strides have been made in the field of synthetic polymers since Leo Baekeland demonstrated his first all test-tube resin back in 1909 — but, as you know, all of these developments make use of **organic** materials. Today, however, we in the chemical industry are looking forward to discovering how to make synthetic **inorganic** polymers—an area, which at the present time, is in about the same stage of development as Antarcitica. Potentially, I think, it will provide a whole new field for industrial enterprise—if only our explorers are successful in penetrating the many unknowns. For example, it seems reasonable to expect that out of this research will come the knowledge to revolutionize the cement industry — giving us new types of cements from which artificial stones can be made, materials rivaling the beauty and durability of the finest polished granites and marbles. From the laboratories will come solutions which, when mixed together at the construction site, will polymerize enabling us to make all sorts of tailormade stones especially created to do specific jobs. Out of these efforts will emerge, I think, a new type of enlightened "Stone Age," with man fabricating materials which will, in time, be used in place of many of our present-day building blocks.

As their investigations continue, I believe we shall discover products which we can inject into soils and sands to make them hard and impenetrable. Thus, we shall be able to build roads by simply "shooting" special formulae into the ground. Moreover, I foresee the time when we can apply this same principle to tunnels, oil and gas pipes, reservoirs and dams—making it possible for us to eliminate the lining of excavations — for we would simply harden the earth with chemicals. If I'm right, then, of course, foundations for homes and basements could be prepared with ease and rapidity.

Also just over the horizon are new types of adhesives which can be squeezed out of a tube like toothpaste and foamed into place in less time than it takes the "Do It Yourself" enthusiast to drop a hammer on his toe. Just as we bind some shoes and aircraft parts together today without nails or rivets, so we shall be able, one day, to seal structural layers to one another with the new chemical adhesives. The resulting bond will be, if our assumptions are correct, as strong as the materials which we have joined together. When that day comes the nail will be as antiquated as the buggy-whip.

Chemical Mechanics

Another scientific frontier — one of the most challenging of all —lies in the realm of what we call, for lack of a better name, solid-state physics. Actually, this isn't a very accurate appellation, for in one sense as the "Wall Street Journal" commented — "solid state physics can be described as a combination of chemistry and electronics." Actually, what scientists are trying to do is learn more about the basic nature of matter, in order that we can understand what goes on when corrosion, combustion and catalysis take place.

Much of the knowledge gleaned from this work will further the introduction of automation into the chemical industry — an innovation which, I believe, will be of tremendous significance in our business for two reasons. In the first place, it will require us to learn more about the fundamentals of the reactions which we have been carrying on for years. For, difficult as it is to believe, right now the kinetics involved in some of the processes which we have been using for decades are still unknown. In a sense then, the coming of the electronic tube to our industry will force us to do something which we have never taken the time to do — namely, to dig more deeply into the mysteries of chemical mechanics.

Once we understand more about the rates and mechanisms of our reactions, we shall be able to "automate" our industry, I think, and achieve an environment which will enable us to obtain maximum yields of the desired products. This, in turn, should help us, in the second place, to reduce the costs of our operations because once we fully comprehend the fundamentals of our reactions and are able to "automate" our plants, we shall be able to increase the productivity of our labor by raising the level of its skill.

There are, of course, many other developments which I have not touched on. I think I have, however, indicated that I believe the chemical industry is going to keep right on growing—just like Jack's beanstalk. In fact, I'm so optimistic about our prospects, that I find myself wishing that like the little man from Colombia I could stick around for 167 years and take part in all the progress that I see ahead.

To realize all of these potentialities, however, will, as you are fully aware, take money. Those of us in the chemical industry hope to generate as much capital as possible out of our earnings, which is one of the reasons why, I predict, chemical company stocks will continue to be purchased for their growth, rather than for their dividend rate. But should these developments which I have been discussing reach fruition more quickly than we anticipate, then it will be necessary for the industry to seek some outside financing.

Securities Now in Registration

★ INDICATES ADDITIONS SINCE PREVIOUS ISSUE
● ITEMS REVISED

● ACF-Wrigley Stores, Inc.
Oct. 9 filed $4,000,000 of convertible subordinated sinking fund debentures due April 30, 1972. **Price**—At par. **Proceeds** — From sale of debentures, together with $5,000,000 from private sale of 4¾% 15-year notes, to be used to repay about $8,000,000 of short-term bank loans and for general corporate purposes. **Underwriter**—Allen & Co., New York. **Offering** — Expected today (Nov. 1).

★ AMP, Inc., Harrisburg, Pa. (11/14)
Oct. 24 filed 328,700 shares of common stock (par $1), bearing an endorsement representing a beneficial interest in 3,287 shares of common stock (par $1) of Pamcor, Inc., San Juan, Puerto Rico, an affiliate of AMP, Inc. Of the total, 298,700 shares are to be offered to public (148,200 shares for company's account and 150,500 shares for account of selling stockholders) and 30,000 shares are to be offered to employees (for company's account). **Price** —To be supplied by amendment. **Proceeds**—For general corporate purposes. **Business**—Designs and manufactures solderless electric wire terminals and manufacturing of practically all forms of electric appliances and equipment. **Underwriter**—Kidder, Peabody & Co., New York.

● American Discount Co. of Georgia
Oct. 3 filed $1,000,000 of 20-year capital debentures, 5.75% series of 1956, due Nov. 1, 1976. **Price**—At par (in units of $1,000 each). **Proceeds**—For working capital. **Underwriters** — Interstate Securities Corp., Charlotte, N. C.; Johnson, Lane, Space & Co., Savannah, Ga.; and A. M. Law & Co., Inc., Spartanburg, S. C. **Offering**—Expected today (Nov. 1).

American Federal Finance Corp., Killeen, Texas
Sept. 5 filed 40,000 shares of class B common stock (par $5) and 400,000 shares of preferred stock (par $5) to be offered in units of 10 preferred shares and one common share. **Price**—$55 per unit. **Proceeds**—To purchase used car paper and to extend the company's operations into the field of new car financing. **Underwriter**—None. J. J. Fain is President.

★ American Heritage Life Insurance Co.
Oct. 26 filed 1,199,375 shares of common stock (par $1), of which 575,000 shares are to be offered to the public; 435,000 shares to agents and employees of company, and 189,375 shares to employees pursuant to certain stock purchase options to be granted by the company. **Price**—To public, $2 per share. **Proceeds**—For working capital. **Office—Jacksonville, Fla.**—Underwriter—Pierce, Carrison, Wulburn, Inc., of Jacksonville, Fla.

American Telephone & Telegraph Co.
Aug. 22 filed 5,726,152 shares of capital stock being offered for subscription by stockholders of record Sept. 14, 1956 at the rate of one new share for each 10 shares held; rights to expire on Nov. 5, 1956. **Price**—At par ($100 per share) payable in one or two payments. **Proceeds**—For expansion of plant and for advances to, and investment in stocks of, subsidiaries. **Underwriter**—None.

Anheuser-Busch, Inc., St. Louis, Mo.
Aug. 30 filed 328,723 shares of common stock (par $4). **Price**—To be supplied by amendment. **Proceeds** — To Estate of Edmee B. Greenough, deceased. **Underwriter**—Lee Higginson Corp., New York. **Offering**—Postponed indefinitely.

★ Arizona Public Service Co. (11/19-23)
Oct. 31 filed 200,000 shares of cumulative convertible preferred stock (par $50). **Price** — To be supplied by amendment. **Proceeds** — To reduce bank loans. **Underwriters**—The First Boston Corp., and Blyth & Co., Inc., both of New York.

Atlantic Oil Corp., Tulsa, Okla.
April 30 filed 2,000,000 shares of common stock (par $1). **Price**—$1.50 per share. **Proceeds**—For working capital and general corporate purposes. **Underwriter** — To be named by amendment.

Atlas Credit Corp., Philadelphia, Pa.
June 11 filed $600,000 of 6% convertible subordinated debentures due June 15, 1968. **Price**—100% of principal amount. **Proceeds**—To retire indebtedness of the company to its affiliates for money borrowed for working capital. **Underwriters**—Hallowell, Sulzberger & Co. and Charles A. Taggart & Co., Inc., both of Philadelphia, Pa., and Weill, Blauner & Co., Inc. of New York.

Audubon Park Raceway, Inc.
July 13 (letter of notification) 600,000 shares of common stock (par 10 cents) to be offered for subscription by common stockholders at rate of 0.46875 of a share for each share held. **Price**—10 cents per share. **Proceeds**—For general corporate purposes. **Underwriters**—Berwyn T. Moore & Co., Louisville, Ky.; Gearhart & Otis, Inc., New York, and Crerie & Co., Houston, Tex.

Automation Development Mutual Fund, Inc.
Aug. 24 filed 300,000 shares of common stock. **Price**—At market. **Proceeds**—For investment. **Office**—Washington, D. C. **Distributor**—Automation Development Securities Co., Inc., Washington, D. C.

Automation Industries Corp., Washington, D. C.
May 11 filed 179,000 shares of common stock (par $1). **Price**—$5.25 per share. **Proceeds**—For working capital and other corporate purposes. **Underwriter** — None. Harry Kahn, Jr., of Washington, D. C., is President and Treasurer.

Barber's Super Markets, Inc.
Oct. 15 (letter of notification) 21,721 shares of common stock (par $10) to be offered to stockholders on a basis of one new share for each two shares held as of record Oct. 15, 1956. **Price** — $11 per share. **Proceeds** — For working capital. **Address**—P. O. Box 515, Albuquerque, N. M. **Underwriter**—None.

Baton Rouge Water Works Co.
Sept. 11 (letter of notification) 6,946 shares of common capital stock (no par). **Price**—$43 per share. **Proceeds** —For extensions and betterments to water system. **Office** —131 Lafayette St., Baton Rouge, La. **Underwriter**—None.

Beckjord Manufacturing Corp.
Oct. 12 (letter of notification) $50,000 of series A 6% debenture bonds, $50,000 of series B 6% debenture bonds and 207,500 shares of common stock (par 10 cents) to be offered in units as follows: 100 "A" units (each consisting of a $500 "A" bond and 50 shares of stock); 100 "B" units (each consisting of a $500 "B" bond and 50 shares of stock); and 1,975 "C" units (each consisting of 100 shares of stock). **Price**: Of series "A" and "B" units, $500 each; and of series "C" units, $100 each. **Proceeds**—To acquire or lease plant; for dies and machinery; production equipment and materials; inventory; and working capital. **Business** — Manufactures "Unit-Inch" electric convector heaters. **Office**—7 West Water Street, Toms River, N. J. **Underwriter**—Berry & Co., Newark, N. J.

● Beneficial Standard Life Insurance Co.
Oct. 4 filed 290,000 shares of common stock (par $1). **Price** — To be supplied by amendment. **Proceeds** — To selling stockholders. **Underwriter** — Lehman Brothers, New York. **Offering**—Expected today (Nov. 1).

Bentonite Corp. of America
June 29 (letter of notification) 150,000 shares of common stock (par $1). **Price**—$2 per share. **Proceeds**—For mining expenses. **Office**—290 N. University Ave., Provo, Utah. **Underwriter**—Thomas Loop Co., New Orleans, La.

Bridgford Packing Co., Anaheim, Calif.
Aug. 13 (letter of notification) 222,222 shares of common stock (par $1). **Price**—$1.35 per share. **Proceeds**—To pay obligations, purchase equipment, etc. **Office**—1308 No. Patt Street, Anaheim, Calif. **Underwriter**—J. D. Creger & Co., 124 North Bright Avenue, Whittier, Calif.

Brown Investment Co., Ltd., Honolulu, T. H.
July 11 filed 60,075 shares of common stock (par $1). **Price**—At net asset value, plus a selling commission of 7½% of the offering price. **Proceeds**—For investment. **Business**—A diversified, open-end investment company of the management type. **Underwriter**—Brown Management Co., 833 Alaska St., Honolulu, Hawaii.

Burma Shore Mines, Ltd., Toronto, Canada
July 26 filed 600,000 shares of capital stock, of which 500,000 shares are to be offered publicly, and 100,000 shares to promoters. **Price**—At par ($1 per share). **Proceeds** — For equipment, exploration, drilling, working capital and other general corporate purposes. **Underwriter**—To be named later.

★ California Fund, Inc., Los Angeles, Calif.
Oct. 29 filed (by amendment) 200,000 additional shares of capital stock (par $1). **Price**—At market. **Proceeds**—For investment.

● Centers Corp., Philadelphia, Pa.
July 30 filed $8,000,000 of 5½% sinking fund debentures due Aug. 1, 1971, and 1,600,000 shares of common stock (par one cent); subsequently amended to $4,500,000 of debentures. **Price** — To be supplied by amendment. **Proceeds** — About $4,100,000 will be used to acquire seven shopping center sites and a Penn Fruit supermarket adjacent to one of them; the balance will be used to develop shopping centers at the seven sites and to acquire and develop additional sites for related real estate activities, and for general corporate purposes. **Underwriter** — Blair & Co. Incorporated, Philadelphia and New York. Latter has agreed to purchase an additional 300,000 common shares and reoffer them to persons selected by it at $1.10 per share. **Offering**—Not expected until late in December.

Century Controls Corp., Farmnigdale, N. Y.
Aug. 27 filed $600,000 of 10-year 6% debentures. **Price**—90% of principal amount. **Proceeds**—For research and development; expansion; equipment; and other corporate purposes. **Underwriter** — None. **Offering** — Expected in November.

Century Controls Corp., Farmingdale, N. Y.
Aug. 27 filed 120,000 shares of common stock (par $1). **Price**—At market (over-the-counter price in New York). **Proceeds**—To selling stockholder (Ray, Daisley & Co., Inc.) **Underwriter**—None.

Century Controls Corp.
Oct. 4 (letter of notification) $150,000 of 6% subordinate convertible debentures. **Price**—90% of principal amount (in denominations of $100 each). **Proceeds** — To pay notes payable, reduce accounts payable and to pay other current liabilities; also for working capital. **Office** —Allen Boulevard, Farmingdale, L. I., N. Y. **Underwriter** —None.

Chicago Helicopter Airways, Inc.
Oct. 16 (letter of notification) 23,050 shares of common stock (par $1) to be offered to stockholders of record Oct. 26, 1956 on the basis of one share for each five shares held (with an oversubscription privilege); rights to expire on Nov. 9, 1956. **Price**—$11.25 per share. **Proceeds**—To purchase lease rights to a hangar and for improvements and working capital. **Office**—5240 West 63rd St., Chicago, Ill. **Underwriter**—None.

Chinook Plywood, Inc., Rainier, Ore.
Sept. 4 filed 200 shares of common capital stock. **Price**—At par ($3,000 per share). **Proceeds**—For acquisition of a plant site, construction of a mill building, purchase and installation of machinery and equipment, and as operating capital. **Underwriter** — Industry Developers, Inc.

Chisago City Telephone Co., Chisago, Minn.
Sept. 6 (letter of notification) 1,000 shares of common stock to be offered to stockholders. **Price**—At par ($25 per share). **Proceeds** — For new construction. **Underwriter**—None.

● Colorado Springs Aquatic Center, Inc.
Aug. 23 filed 500,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—For swimming pool and related activities, bowling alley, site preparation including parking, and land cost ($95,000). **Underwriters** —Arthur L. Weir & Co. and Copley & Co., both of Colorado Springs, Colo. Statement to be withdrawn.

★ Consumers Cooperative Association, Kansas City, Mo.
Oct. 25 filed 180,000 shares of 5½% preferred stock (cumulative to extent earned before patronage refunds) and 20,000 shares of 4% second preferred stock (cumulative to extent earned before patronage refunds) to be sold directly to members and others by the Association's employees. **Price**—At par ($25 per share). **Proceeds**—For general corporate purposes. **Underwriter**—None.

Consolidated Oil Management
Aug. 16 (letter of notification) $250,000 of 10-year 5½% collateral trust bonds due Sept. 9, 1966. **Office**—7352 Central Ave., St. Petersburg, Fla. **Predecessor**—Lynch Oil Co. **Underwriter**—Security & Bond Co., Lexington, Kentucky.

● Continental Casualty Co., Chicago, Ill.
Sept. 28 filed 625,000 shares of capital stock (par $5) being offered in exchange for outstanding capital stock of National Fire Insurance Co. of Hartford at rate of 1¼ shares of Continental stock for one share of National stock. The offer is conditional upon the acceptance of at least 51% (255,000 shares) of National stock and will expire on Nov. 15. **Dealer-Managers**—William Blair & Co.; The First Boston Corp.; and Lazard Freres & Co.

★ Cosden Petroleum Corp. (11/15)
Oct. 26 filed 352,000 shares of capital stock (par $1). **Price** — To be supplied by amendment. **Proceeds** — To Standard Oil Co. of Texas and Anderson-Prichard Oil Corp., who are the selling stockholders. **Underwriters**—Dean Witter & Co., San Francisco, Calif., and New York; and Glore, Forgan & Co., Chicago, Ill., and New York

★ Credit Finance Service, Inc., Wilmington, Del.
Oct. 30 filed $1,200,000 of subordinate debentures due Nov. 1, 1968 and 24,000 shares of class B common stock (par $1) to be offered in units of $50 of debentures and one share of stock. **Price**—To be supplied by amendment (the proposed maximum offering price is $65 per unit). **Proceeds** — To reduce outstanding short-term bank loans and to repay subordinated note for $53,600. **Underwriter** — Merrill Lynch, Pierce, Fenner & Beane, New York.

Cro-Plate Co., Inc.
Aug. 22 (letter of notification) 4,123 shares of common stock (par $5) to be offered to stockholders on the basis of one share for each two shares now held or one share for each warrant held. **Price**—$9.50 per share. **Proceeds**—For working capital, etc. **Office** — 747 Windsor St., Hartford, Conn. **Underwriter**—None.

★ Dallas Power & Light Co.
Oct. 23 (letter of notification) 431 shares of common stock (no par) to be offered to minority stockholders on a 1-for-16 basis. **Price**—$185 per share. **Proceeds**—For new construction and working capital. **Office** — 1506 Commerce St., Dallas, Tex. **Underwriter**—None.

Dalton Finance, Inc., Mt. Rainier, Md.
Sept. 28 (letter of notification) $250,000 of 6% 10-year subordinated debentures (with warrants attached) and 25,000 shares of class A common stock (par 50 cents) to be offered in units of one $500 debenture and 50 shares of stock. **Price**—$525 per unit. **Proceeds**—For working capital. **Underwriter** — Whitney & Co., Inc., Washington, D. C.

Devall Land & Marine Construction Co., Inc.
May 16 (letter of notification) 150,000 shares of common stock (par $1). **Price**—$2 per share. **Proceeds**—For payments of notes, to purchase and equip three boats and working capital. **Office**—1111 No. First Ave., Lake Charles. La. **Underwriter**—Vickers Brothers, Houston, Texas. Statement effective.

Diversified Oil & Mining Corp., Denver, Colo.
Aug. 29 filed 2,500,000 shares of 6% convertible non-cumulative preferred stock, first series (par $1), and warrants to purchase 500,000 shares of common stock (par 10 cents) to be offered for subscription initially by common stockholders in units of 25 preferred shares and a warrant to purchase five common shares. **Price**—$25.50 per unit (each warrant will entitle the holder to purchase one common share at any time prior to Dec. 31, 1957 at $2 per share). **Proceeds**—To repay mortgages, to $1,312,500 of five-year 6% sinking fund debentures, and for further acquisitions and working capital. **Underwriter**—To be named by amendment.

Dodge Manufacturing Corp. (11/5-9)
Oct. 15 filed not to exceed 72,000 shares of cumulative convertible preferred stock (no par value). **Price**—To provide a net to the company of approximately $2,000,000. **Proceeds**—For expansion and working capital. **Office**—Mishawaka, Ind. **Underwriter** — Central Republic Co. Inc., Chicago, Ill.

Douglas Corp., Fort Collins, Colo.
July 27 filed 4,000,000 shares of common stock (par one cent). **Price** — 10 cents per share. **Proceeds** — For exploration, development and acquisition of properties and for working capital. **Underwriter**—Columbia Securities Co., Denver, Colo.

Dow Chemical Co., Midland, Mich.
Aug. 27 filed 150,000 shares of common stock (par $5) to be offered for subscription by employees of the company and certain subsidiaries and associated companies. Subscriptions will be received by the company Oct. 1 through Oct. 26. **Price**—$60 per share. **Proceeds**—For expansion, etc. **Underwriter**—None.

Eastern-Northern Explorations, Ltd.
June 4 (regulation "D") 500,000 shares of common stock (par $1). **Price**—60 cents per share. **Proceeds**—For general corporate purposes. **Office**—Toronto, Canada. **Underwriter**—Foster-Mann, Inc., New York.

★ **Electricity Commission of New South Wales, Australia (11/21)**
Oct. 26 filed $7,650,000 sinking fund bonds. **Price**—To be supplied by amendment. **Proceeds**—To redeem $6,976,000 3½% sinking fund bonds, of The Sydney County Council due Jan. 1, 1957, the holders of which may exchange same for the new bonds; and for construction work. **Underwriter**—Kidder, Peabody & Co., New York.

★ **Electronics Investment Corp., San Diego, Calif.**
Oct. 29 filed (by amendment) 2,000,000 additional shares of capital stock (par $1). **Price**—At market. **Proceeds**—For investment.

Eternalite, Inc., New Orleans, La. (11/15)
Sept. 24 filed 200,000 shares of class A common stock (par 50 cents). **Price**—$4.50 per share. **Proceeds**—To repay loan; for maintenance of and increase of inventory; for development of branch offices; and for research, laboratory tests, and testing equipment. **Underwriter**—Vickers Brothers, New York.

Excelsior Insurance Co. of New York
Oct. 3 (letter of notification) 25,000 shares of common stock (par $6) being offered for subscription by stockholders of record Oct. 10, 1956 at the rate of one new share for each seven shares held; rights expire on Nov. 15, 1956. **Price**—$10 per share. **Proceeds**—For working capital. **Office** — 123 Erie Boulevard East, Syracuse, N. Y. **Underwriter**—None.

Federal Manufacturing & Engineering Corp.
Oct. 1 (letter of notification) 198,900 shares of class B capital stock to be offered for subscription by stockholders on the basis of 85 shares for every 100 shares of class A stock held; rights to expire 30 days after date of offering. **Price**—At par ($1 per share). **Proceeds**—For general corporate purposes. **Office**—1055 Stewart Ave., Garden City, N. Y. **Underwriter**—None.

★ **Financial Industrial Fund, Inc., Denver, Colo.**
Oct. 26 filed (by amendment) 15,000,000 additional shares of capital stock. **Price**—At market. **Proceeds**—For investment.

Freiberg Mahogany Co.
Oct. 11 filed $2,000,000 of subordinated debentures due 1971 and 450,000 shares of common stock (par 10 cents), of which $1,500,000 of debentures and all of the stock are to be offered publicly in units of $500 of debentures and 150 shares of stock; the remaining $500,000 of debentures to be sold to Texas Industries, Inc., which owns about 75% of Freiberg's outstanding common stock. **Price**—To be supplied by amendment. **Proceeds**—From sale of units to retire short-term loans and for working capital, etc., and from sale of debentures to Texas Industries to retire a subordinated promissory note payable to the latter firm. **Office**—New Orleans, La. **Underwriters**—Howard, Weil, Labouisse, Friedrichs & Co., New Orleans, La.; Rauscher, Pierce & Co., Inc., Dallas, Texas; and Rusn & Co., Inc., San Antonio, Texas.

Genco Oil Co., Inc.
Aug. 24 (letter of notification) 55,000 shares of common stock (par $1). **Price**—$5 per share. **Proceeds**—For oil development expenses. **Office** — 1907 Broadway Ave., Scottsbluff, Neb. **Underwriter** — Edward C. Colling, Scottsbluff, Neb.

General Credit, Inc., Washington, D. C.
Aug. 17 filed $2,000,000 of 6% subordinated sinking fund debentures, due Sept. 1, 1971, with detachable warrants to purchase 160,000 shares of participating preference stock, to be offered in units of $500 of debentures and 40 warrants. **Price**—$500 per unit. **Proceeds**—For expansion and working capital. **Underwriter** — None named. Offering to be made through selected dealers.

General Tire & Rubber Co., Akron, Ohio
July 27 filed 26,068 shares of $5 cumulative preference stock (par $100) to be offered in exchange for common stock and 6% promissory notes of Carlon Products Corp. The exchange offer will be subject to acceptance by owners of all of the outstanding $1,060,000 notes and by not less than 39,400 of the 68,837 shares of Carlon stock. **Underwriter**—None.

General Uranium Corp. (N. J.), New York
Jan. 18 filed 400,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—For plant facilities, survey of property and underground development. **Underwriter**—None. Maurice Schack, Middletown, N. Y., is President. Statement effective March 11.

Giant Food Properties, Inc. (11/13)
Oct. 23 filed $4,050,000 of 5½% sinking fund debentures due Dec. 1, 1971, and 891,000 shares of common stock (par 10 cents) to be offered in units of $100 principal amount of debentures and 22 shares of stock; of which 25,000 units are to be offered publicly and 15,500 units are to be issued in exchange for properties. **Price**—$100 per unit. **Proceeds** — To acquire shopping center sites and for working capital and other general corporate purposes. **Office** — Washington, D. C. **Underwriters** — Auchincloss, Parker & Redpath, Washington, D. C., and Kidder, Peabody & Co., New York, N. Y.

Giant Food Properties, Inc. (11/13)
Oct. 23 filed 250,000 shares of common stock (par 10 cents) of which 100,000 shares are to be offered to the public, 40,000 shares are to be offered to certain of the company's employees and 110,000 shares to associates of corporation and Tower Construction Co. **Price**—$1 per share. **Proceeds**—For working capital and other corporate purposes. **Underwriter**—None. [This is in addition to the 40,500 units also filed with the SEC on Oct. 23.]

Gold Mountain Lodge, Inc., Durango, Colo.
Aug. 23 filed 5,000 shares of class A voting common stock (par $1), 295,000 shares of class B non-voting common stock (par $1), and $700,000 of 4% debentures due Dec. 31, 1975, to be offered for sale in the States of Texas and Colorado in units of 50 shares of class A stock, 2,950 shares of class B stock and one $7,000 debenture. **Price**—$10,000 per unit. **Proceeds**—For purchase of property, remodeling of present main building, for new construction and working capital. **Business**—Operates year-round resort hotel. **Underwriter**—None.

Great Northern Life Insurance Co.
Sept. 20 (letter of notification) 44,000 shares of common stock (par $1). **Price**—$6.75 per share. **Proceeds**—For working capital and unassigned surplus. **Office** — 119 West Rudisill Blvd., Ft. Wayne, Ind. **Underwriter** — Northwestern Investment, Inc., Ft. Wayne, Ind.

Growers Container Corp., Salinas, Calif.
May 28 filed 600,000 shares of common stock (par $1) to be offered primarily to individuals and firms who are engaged in or closely allied to the growing and shipping industry. **Price**—$3 per share. **Proceeds**—For working capital, capital expenditures and other corporate purposes. **Underwriter**—None.

Hartfield Stores, Inc.
Oct. 2 filed 240,000 shares of common stock (par $1). **Price**—$9 per share. **Proceeds**—To certain selling stockholders. **Underwriter**—Van Alstyne, Noel & Co., New York; and Johnston, Lemon & Co., Washington, D. C.

Hawaiian Electric Co., Ltd., Honolulu
Sept. 21 filed 77,000 shares of common stock (par $20) being offered for subscription by common stockholders at rate of one new share for each 10 shares held as of Oct. 1; rights to expire on Nov. 5. **Price**—$20 per share. **Proceeds**—For plant expansion program. **Underwriter**—None.

● **Holiday Oil & Gas Corp. (11/2)**
Sept. 21 filed 500,000 shares of common stock (par 10 cents). **Price**—$3 per share. **Proceeds**—To repay bank loans; to drill some 36 proven locations on now producing leases; and for working capital. **Office**—Arkansas City, Kan. **Underwriter** — Whitehall Securities Corp., New York.

● **Holmes (D. H.) Co., Ltd.**
Oct. 12 (letter of notification) 7,692 shares of common stock (par $20) being offered to stockholders on Oct. 22 at rate of one new share for each 26 shares held; rights to expire Nov. 5, 1956. **Price**—$35 per share to stockholders; to public, at market (estimated at $39 per share). **Proceeds**—For working capital. **Office**—819 Canal St., New Orleans, La. **Underwriters**—Arnold & Crane; Nusloch, Baudean & Smith; Scharff & Jones, Inc., and Howard, Weil, Labouisse & Friedrichs & Co., all of New Orleans, La.

● **Home Light & Power Co.**
Oct. 8 (letter of notification) 6,695 shares of common stock (par $25) being offered to stockholders of record Oct. 24, 1956, on the basis of one share for each eight shares held on Oct. 24, 1956, and also to employees at a

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NEW ISSUE CALENDAR

November 1 (Thursday)
Pittsburgh & Lake Erie RR. ____ **Equip. Trust Ctfs.**
(Bids noon EST) $7,305,000

November 2 (Friday)
Holiday Oil & Gas Corp. ____ **Common**
(Whitehall Securities Corp.) $1,500,000

November 5 (Monday)
Dodge Manufacturing Corp. ____ **Preferred**
(Central Republic Co. Inc.) 72,000 shares
National City Bank of Cleveland ____ **Common**
(Offering to stockholders—to be underwritten by Merrill, Turben & Co., Inc.) $5,000,000

November 8 (Thursday)
Chicago, Burlington & Quincy RR. **Equip. Tr. Ctfs.**
(Bids noon CST) $3,600,000
Chicago & North Western Ry. ____ **Equip. Trust Ctfs.**
(Bids noon CST) $3,375,000
Northspan Uranium Mines, Ltd. ____ **Bonds**
(Morgan Stanley & Co. and Model, Roland & Stone) $45,000,000
Pyramid Productions, Inc. ____ **Common**
(E. L. Aaron & Co.) $1,000,000

November 12 (Monday)
Eversweet, Inc. ____ **Common**
(Burton J. Vincent & Co.) 100,000 shares
Loyal American Life Insurance Co., Inc. ____ **Common**
(Offering to common stockholders—to be underwritten by J. H. Goddard & Co., Inc. and Thornton, Mohr & Farish) 230,000 shares.
United Cuban Oil, Inc. ____ **Common**
(S. D. Fuller & Co.) $1,250,000

November 13 (Tuesday)
Giant Food Properties, Inc. **Debentures & Common**
(Auchincloss, Parker & Redpath and Kidder, Peabody & Co.) $4,050,000
Louisville & Nashville RR. ____ **Equip. Trust Ctfs.**
(Bids noon EST) $7,695,000
Van Horn Butane Service ____ **Preferred**
(Schwabacher & Co., Inc. and J. Barth & Co.) $1,875,000

November 14 (Wednesday)
AMP, Inc. ____ **Common**
(Kidder, Peabody & Co.) 298,700 shares
Public Service Electric & Gas Co. ____ **Bonds**
(Bids 11 a.m. EST) $50,000,000
Reichhold Chemicals, Inc. ____ **Common**
(Blyth & Co., Inc.) 200,000 shares
San Jacinto Petroleum Corp. ____ **Debentures**
(White, Weld & Co.) $8,000,000
Sierra Pacific Power Co. ____ **Bonds**
(Bids 11 a.m. EST) $3,000,000

November 15 (Thursday)
Cosden Petroleum Corp. ____ **Common**
(Dean Witter & Co. and Glore, Forgan & Co.) 352,000 shares
Eternalite, Inc. ____ **Class A Common**
(Vickers Brothers) $900,000
Lucky Stores, Inc. ____ **Common**
(Offering to stockholders of Foremost Dairies, Inc—underwritten by Allen & Co. and Dean Witter & Co.) 650,000 shares
Sinclair Oil Corp. ____ **Debentures**
(Smith, Barney & Co. and Merrill Lynch, Pierce, Fenner & Beane) $170,593,900
Watson Brothers Transportation Co. ____ **Class A**
(Cruttenden & Co.; The First Trust Co. of Lincoln; and Wachob-Bender Corp.) $4,628,316

November 16 (Friday)
Chase Manhattan Bank ____ **Common**
(Offering to stockholders—to be underwritten) $1,000,000 shares

November 19 (Monday)
Arizona Public Service Co. ____ **Preferred**
(The First Boston Corp. and Blyth & Co., Inc.) $10,000,000
Pigeon Hole Parking of St. Louis, Inc. **Class A Com.**
(A. G. Edwards & Sons and Dempsey-Tegeler & Co.) $975,000
Spar-Mica Corp., Ltd. ____ **Preferred**
(Hamlin & Lunt; Allen & Co.; Cowen & Co.; and Straus, Blosser & McDowell) about $2,400,000

November 20 (Tuesday)
Texas Power & Light Co. ____ **Bonds**
(Bids 11:30 a.m EST) $10,000,000

November 21 (Wednesday)
Electricity Commission of New South Wales **Bonds**
(Kidder, Peabody & Co.) $7,650,000

December 3 (Monday)
Dallas Power & Light Co. ____ **Bonds**
(Bids noon EST) $15,000,000

December 4 (Tuesday)
Michigan Bell Telephone Co. ____ **Debentures**
(Bids to be invited) $30,000,000
National Cash Register Co. ____ **Debentures**
(Offering to stockholders—to be underwritten by Dillon, Read & Co. Inc.) $28,285,600

December 5 (Wednesday)
Long Island Lighting Co. ____ **Bonds**
(Bids 11 a.m. EST) $20,000,000

December 10 (Monday)
Texas Eastern Transmission Corp. ____ **Debentures**
(Dillon, Read & Co. Inc.) $40,000,000

December 11 (Tuesday)
Florida Power & Light Co. ____ **Bonds**
(Bids 11:30 a.m. EST) $20,000,000
Illinois Central RR. ____ **Equip. Trust Ctfs.**
(Bids to be received) $9,000,000

January 8, 1957 (Tuesday)
New England Tel. & Tel. Co. ____ **Debentures**
(Bids to be invited) $35,000,000

January 15, 1957 (Tuesday)
Louisiana Power & Light Co. ____ **Bonds**
(Bids to be invited) about $20,000,000

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rate not to exceed 10% of annual pay; warrants expire Nov. 17, 1956. **Price**—$40 per share. **Proceeds**—For additional plant facilities and improvements. **Office**—810 Ninth St., Greeley, Colo. **Underwriter**—None.

★ Home Telephone & Telegraph Co. of Virginia
Oct. 25 filed 46,000 shares of capital stock to be offered for subscription by stockholders of record Nov. 14, 1956 in the ratio of one new share for each seven shares held. **Price**—At par ($5 per share). **Proceeds**—To pay outstanding short-term bank loans. **Office**—107 Valley St., Emporia, Va. **Underwriter**—None.

Horton Aircraft Corp., Las Vegas, Nev.
Oct. 18 filed 100,000 shares of common stock (no par). **Price**—To be supplied by amendment (maximum price to be $25 per share). **Proceeds**—To William E. Horton, President of the company, who is the selling stockholder. **Underwriter**—None.

★ Hyde Park Cooperative Society, Inc.
Oct. 24 (letter of notification) 8,000 shares of common stock. **Price**—At par ($10 per share). **Proceeds**—For working capital. **Office**—5535 South Harper Ave., Chicago, Ill. **Underwriter**—None.

Imperial Oil Ltd., Toronto, Canada
Oct. 18 filed 1,504,271 shares of no par value capital stock, to be offered for subscription by stockholders on the basis of one new share for each 20 shares held. Standard Oil Co. (New Jersey), which owns 69.64% of the outstanding Imperial stock is said to have indicated that it intends to subscribe to its portion of the offering. **Price** — To be supplied by amendment (expected to be about $55 per share). **Proceeds** — For working capital and expansion. **Underwriter**—None. **Offering**—Expected early in November.

International Bank of Washington, D. C.
Sept. 28 filed $1,000,000 of time certificates, series B, C and D. **Price**—At 100% of principal amount. **Proceeds**—For working capital. **Underwriter**—Johnston, Lemon & Co., Washington, D. C.

International Shipbuilding Corp.
Aug. 9 (letter of notification) 100,000 shares of common stock (par 50 cents). **Price**—$2 per share. **Proceeds**—For general corporate purposes. **Business**—Manufactures outboard cruisers. **Office**—471 N. E. 79th Street, Miami, Fla. **Underwriter**—Atwill & Co., Miami Beach, Fla.

Investment Corp. of Florida
Aug. 24 filed $515,000 of $60 cumulative preferred stock to be offered in units of $1,000 each and 5,150 shares of common stock to be offered to purchasers of preferred stock at 10 cents per share at rate of ten shares for each preferred share bought. **Proceeds**—For working capital. **Office**—Fort Lauderdale, Fla. **Underwriter**—None.

Jacobs (F. L.) Co.
Oct. 4 filed $3,000,000 of 6% convertible debentures due Nov. 1, 1966. **Price**—100% of principal amount. **Proceeds**—To pay short-term loans and for working capital. **Underwriters**—McLaughlin, Cryan & Co. and Gearhart & Otis, Inc., both of New York.

Joa Co.
July 27 (letter of notification) 110,000 shares of common stock (par 20 cents). **Price**—$2.50 per share. **Proceeds**—For sales promotions and operating capital. **Office**—411 No. Scenic Highway, Lake Wales, Fla. **Underwriter**—Anderson Cook Co., Inc., Palm Beach, Fla.

Kerr Income Fund, Inc., Los Angeles, Calif.
July 30 filed 100,000 shares of capital stock (par $1), of which 9,300 shares will be initially sold at $10.98 per share. Additional shares will be offered at a price equal to the net asset value of the Fund, plus a sales load of 8½% of such price. **Proceeds**—For investment. **Investment Manager** — California Fund Investment Co., of which John Kerr is also President.

★ Keystone Custodian Funds, Inc.
Oct. 25 filed 250,000 certificates of participation, series S-1; 250,000 certificates of participation, series B-3; and 750,000 certificates of participation, series B-4. **Price**—At market. **Proceeds**—For investment. **Office**—Boston, Mass.

Kinney Loan & Finance Co.
Sept. 11 (letter of notification) $150,000 of 6% sinking fund capital debentures, series A, due Sept. 1, 1971. **Price**—At par in denominations of $1,000 each. **Proceeds**—For working capital. **Office** — 911 Tenth St., Greeley, Colo. **Underwriter**—Wachob-Bender Corp., of Omaha and Lincoln, Neb.

Life Insurance Co. of Missouri
Oct. 12 (letter of notification) an undetermined number of shares of capital stock (par $5). **Price**—Not to exceed an aggregate value of $300,000. **Proceeds** — To selling stockholders. **Office**—705 Chestnut St. St. Louis 1, Mo. **Underwriters**—A. G. Edwards & Sons, St. Louis, Mo., and R. S. Dickson & Co., Charlotte, N. C.

Life Insurance Co. of South Carolina
Oct. 15 filed 339,600 shares of common stock (no par) to be offered for subscription by stockholders of record Sept. 12, 1956 at the rate of two shares of new stock for each share held. **Price**—To stockholders, $10 per share; and to public, $15 per share. **Proceeds**—For expansion and working capital. **Underwriter**—None. Public offering will be made by employees of the company and qualified licensed dealers.

Lincoln Telephone & Telegraph Co.
Oct. 1 (letter of notification) 6,653 shares of common stock (par $16⅔) being offered to common stockholders of record Sept. 17, 1956 on the basis of one new share for each 30 shares held; rights to expire on Nov. 12. **Price**—$40 per share. **Proceeds** — For working capital, etc. **Office**—1342 M. St., Lincoln, Neb. **Underwriter**—None.

★ Lithium Metal Reduction Corp.
Oct. 19 (letter of notification) 300,000 shares of common stock (par 25 cents). **Price**—$1 per share. **Proceeds**—For mining expenses. **Office**—Suite 516, 1424 K St., N.W., Washington, D. C. **Underwriter**—None.

Lorain Telephone Co.
Oct. 1 (letter of notification) 4,994 shares of common stock (no par) to be offered to stockholders on the basis of one share for each 20 shares now held. **Price**—$25 per share. **Proceeds**—To reimburse company for additions to property in Ohio and for other corporate purposes. **Office**—203 West Ninth St., Lorain, Ohio. **Underwriter**—None.

Los Angeles Drug Co.
Oct. 11 filed $500,000 of 6% convertible subordinated debentures due Aug. 1, 1971. **Price**—At par (indenominations of $500 and $1,000 each). **Proceeds**—For equipment, inventory and working capital. **Underwriter**—Quincy Cass Associates, Los Angeles, Calif.

● Loyal American Life Insurance Co., Inc. (11/12-16)
Sept. 28 filed 230,000 shares of common stock (par $1) to be offered for subscription by common stockholders of record Oct. 15, 1956 at the rate of one new share for each three shares held (with an oversubscription privilege). **Price**—To be supplied by amendment. **Proceeds**—To increase capital and surplus. **Underwriters**—J. H. Goddard & Co., Inc., Boston, Mass., and Thornton, Mohr & Farish, Montgomery, Ala.

Lucky Stores, Inc., San Leandro, Calif. (11/15)
Oct. 11 filed 630,000 shares of common stock (par $1.25) to be offered for subscription by common stockholders of Foremost Dairies, Inc., in the ratio of one Lucky Stores share for each 12½ shares of Foremost common stock held (with a 21-day standby). **Price**—To be supplied by amendment. **Proceeds** — To Foremost Dairies, Inc., the selling stockholder. **Underwriters**—Allen & Co., New York, and Dean Witter & Co., San Francisco, Calif.

Macimiento Uranium Mining Corp.
July 31 (letter of notification) 1,000,000 shares of common stock (par one cent). **Price**—20 cents per share. **Proceeds**—For current liabilities, exploration, administrative expenses and working capital. **Office** — Kimo Bldg., Albuquerque, N. M. **Underwriter**—Carroll & Co., Denver, Colo.

Macinar, Inc.
July 23 (letter of notification) 400,000 shares of common stock (par 50 cents). **Price**—75 cents per share. **Proceeds**—For general corporate purposes. **Business** — Manufactures steel and aluminum specialty products. **Underwriter**—C. J. Montague, Inc., 15 William Street, New York 17, N. Y.

Mascot Mines, Inc.
July 9 (letter of notfication) 280,000 shares of common stock (par 17½ cents). **Price**—25 cents per share. **Proceeds**—For payment on properties; repayment of advances; exploration and development and working capital. **Office**—508 Peyton Bldg., Spokane, Wash. **Underwriter**—Standard Securities Corp., Spokane, Wash.

Matheson Co., Inc.
Oct. 8 (letter of notification) 13,375 shares of 6% cumulative preferred stock. **Price**—At par ($20 per share), plus accrued dividends. **Proceeds**—For expansion, equipment and working capital. **Office**—932 Paterson Plank Road, East Rutherford, N. J. **Underwriters** — Mohawk Valley Investing Co., Inc., Utica, N. Y., and Security and Bond Co., Lexington, Ky.

★ Michigan Seamless Tube Co.
Oct. 26 filed 59,386 shares of common stock (par $5) to be offered for subscription by common stockholders on the basis of one new share for each four shares held. **Price**—To be supplied by amendment. **Proceeds**—For general corporate purposes. **Office**—South Lyon, Mich. **Underwriter**—William C. Roney & Co., Detroit, Mich.

Michigan Wisconsin Pipe Line Co.
July 2 filed $25,000,000 of first mortgage pipe line bonds due 1976. **Proceeds**—To pay off short term bank loans and for construction program. **Underwriter** — To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Blyth & Co., Inc. **Bids**—Three bids were received on Aug. 1, all for 4¾s, but were turned down. No new date for bids has been set.

Mineral Projects-Venture E, Ltd., Madison, N. J.
Oct. 16 filed $2,500,000 of participations in limited partnership interests. **Proceeds**—For acquisition and exploration of oil properties. **Underwriter**—Mineral Projects Co., Ltd., 55 Village Road, Madison, N. J.

Minerals, Inc., New York
June 22 filed 2,500,000 shares of common stock (par one cent). **Price**—$1.50 per share. **Proceeds**—To acquire for $2,400,000 the Chavin lead-zinc-copper-silver mine located in South Central Peru, and for general corporate purposes. **Underwriter** — Gearhart & Otis, Inc., New York. **Offering**—Postponed.

Mission Appliance Corp. of Mississippi
April 23 (letter of notification) 7,475 shares of preferred stock (par $20) and 29,900 shares of common stock (par $5) to be offered in units of one preferred and four common shares. **Price**—$40 per unit. **Proceeds** — For purchase of machinery and equipment. **Office**—New Albany, Miss. **Underwriter**—Lewis & Co., Jackson, Miss.

Mobile Gas Service Corp., Mobile, Ala.
Oct. 11 filed 30,000 shares of common stock (par $5) to be offered for subscription by common stockholders of record Oct. 30 on the basis of one new share for each 10 shares held; rights to expire on Nov. 20. **Price**—To be supplied by amendment. **Proceeds**—To reduce bank loans. **Underwriter** — None. **Offering** — Expected today (Nov. 1).

★ Mohawk Airlines, Inc., Ithaca, N. Y.
Oct. 26 filed $794,000 of 5½% convertible subordinated debentures due Aug. 1, 1966, and 185,796 shares of capital stock (par $1) issuable upon conversion of such debentures. **Price**—To be supplied by amendment. **Proceeds**—For general corporate purposes. **Underwriter**—May be named later.

Mormon Trail Mining Corp., Salt Lake City, Utah
Feb. 9 (letter of notification) 3,000,000 shares of capital stock (par one cent). **Price**—10 cents per share. **Proceeds**—For mining expenses. **Office**—223 Phillips Petroleum Bldg., Salt Lake City, Utah. **Underwriter**—Frontier Investment, Inc., Las Vegas, Nev.

National By-Products, Inc.
June 19 (letter of notification) 2,000 shares of common stock (par $1). **Price**—$5 per share. **Proceeds**—To pay Federal estate taxes. **Office**—800 Bankers Trust Bldg., Des Moines, Iowa. **Underwriter**—T. C. Henderson & Co., Inc., Des Moines, Iowa.

National Life of America, Mitchell, S. Dak.
Sept. 21 filed 86,784.7 shares of common stock (par $5) to be offered for subscription by each of the company's 23,279 policyholders on and as of July 31, 1956 at the rate of 1½ shares of such stock and the balance of the shares to be exchangeable for Founders certificates and coupons issued by National Life as a part or feature of certain life insurance policies. **Price**—$7.50 per share. **Proceeds**—For working capital and other corporate purposes. **Underwriter**—None.

National Old Line Insurance Co.
Nov. 15, 1955 filed 50,000 shares of class A common stock (par $2) and 50,000 shares of class B common stock (par $2). **Price**—To be supplied by amendment. **Proceeds**—To selling stockholders. **Office** — Little Rock, Ark. **Underwriter** — Equitable Securities Corp., Nashville, Tenn., and New York, N. Y. **Offering** — Indefinitely postponed.

Niagara Uranium Corp., Salt Lake City, Utah
April 3 (letter of notification) 2,400,000 shares of common stock (par 3⅓ cents). **Price**—10 cents per share. **Proceeds** — For mining expenses. **Office** — 345 South State St., Salt Lake City, Utah. **Underwriter**—Birkenmayer & Co., Denver, Colo.

North Pittsburgh Telephone Co.
Sept. 12 (letter of notification) 6,000 shares of common stock to be offered to holders of common stock of record of Sept. 15, 1956 on the basis of one new share for each four shares held. **Price**—At par ($25 per share). **Proceeds**—To reduce demand note. **Address**—Gibsonia, Allegheny County, Pa. **Underwriter**—None.

Northspan Uranium Mines, Ltd. (11/8)
Oct. 23 filed $45,000,000 of general mortgage bonds due July 1, 1963 (with common stock purchase warrants). **Price** — To be supplied by amendment. **Proceeds** — To finance completion of uranium mines and mills in the Blind River area in Ontario, Canada. **Underwriters**—Morgan Stanley & Co. and Model, Roland & Stone, both of New York.

Ocean City Pier Corp., Berlin, Md.
Oct. 4 filed $2,000,000 of 6% debenture bonds due July 1, 1976, and 4,000,000 shares of common stock (par one cent) to be offered in units of one $100 bond and 200 shares of stock. **Price**—$300 per unit. **Proceeds** — For construction and operation of amusement pier. **Underwriter** — Paul Korns, a director, of Johnstown, Pa. Lt. Col. James A. Grazier of Whaleysville and Ocean City, Md., is Chairman of the Board.

● Ohio Power Co.
Sept. 20 filed 60,000 shares of cumulative preferred stock (par $100). **Proceeds**—For construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: The First Boston Corp.; Blyth & Co., Inc.; Kuhn Loeb & Co.; Eastman Dillon, Union Securities & Co. and Salomon Bros. & Hutzler (jointly); Harriman Ripley & Co., Inc. and Stone & Webster Securities Corp. (jointly); Lehman Brothers. **Bids**—Those received up to 11 a.m. (EST) on Oct. 30 were rejected.

Orefield Mining Corp., Montreal, Canada
Oct. 15 filed 900,000 shares of capital stock (par $1), of which 200,000 shares are now outstanding. **Price**—To be supplied by amendment. **Proceeds** — For exploration costs. **Underwriter**—To be named later. Michael Tzopanakis, of Miami, Fla., and Denis Colivas, of Montreal, Canada, are large stockholders.

Oxford Loan Co.
Sept. 17 (letter of notification) $250,000 of 6% renewable debentures payable (upon demand) Sept. 10, 1961. **Price**—At face amount (in denominations of $100 and $500 each). **Proceeds** — For working capital. **Office** — 2233 North Broad St., Philadelphia, Pa. **Underwriter**—Walnut Securities Corp., Philadelphia, Pa.

Pacific Lighting Corp.
Oct. 10 filed 200,000 shares of cumulative convertible preferred stock (no par). **Price** — To be supplied by amendment. **Proceeds**—For construction program. **Underwriter**—Blyth & Co., Inc., San Francisco and New York. **Offering**—Postponed until after Election Day.

Pari-Mutuel Equipment Corp.
Aug. 24 (letter of notification) 60,000 shares of common stock (par $1). **Price**—$5 per share. **Proceeds**—For construction of 250 race ticket machines; for purchase of 40 machines for issuance of semi-blank race tickets; and for working capital and general corporate purposes. **Office**—527 Madison Avenue, New York 17, N. Y. **Underwriter**—Wistor R. Smith & Co., 40 East 54th Street, New York 22, N. Y.

Peerless Life Insurance Co.
Oct. 8 (letter of notification) 11,500 shares of common stock (no par). **Price**—$25 per share. **Proceeds** — For general corporate purposes. **Office** — 1310 Gulf States

Bldg., 109 North Akard St., Dallas, Tex. **Underwriter**—Newborg & Co., New York.

★ Pennsylvania & Southern Gas Co.
Oct. 29 (letter of notification) $300,000 of 6% debentures due Nov. 1, 1976 (each $1,000 unit having attached a warrant to purchase 20 shares of common stock at $12 per share). **Price**—At principal amount. **Proceeds**—To repay existing loans and notes outstanding and for working capital. **Office**—1420 Walnut St., Philadelphia, Pa. **Underwriter**—Lewis C. Dick Co., also of Philadelphia.

★ Pigeon Hole Parking of St. Louis, Inc. (11/19)
Oct. 29 filed 300,000 shares of class A common stock (par 25 cents). **Price**—To be supplied by amendment (proposed maximum offering price is $3.25 per share). **Proceeds** — To construct and operate two multi-level automobile parking structures, utilizing a patented mechanical device. **Underwriters**—A. G. Edwards & Sons and Dempsey-Tegeler & Co., both of St. Louis, Mo.

Pittsburgh Consolidation Coal Co.
Oct. 3 filed 2,678,697 shares of common stock (par $1) to be offered in exchange for common stock of Pocahontas Fuel Co. on the basis of 2% shares of Pittsburgh for each Pocahontas common share. The offer will be declared effective if at least 85% of the latter shares have been deposited for exchange by Nov. 30.

★ Powelton Village Development Associates, Inc.
Oct. 24 (letter of notification) 6,620 shares of preferred stock and $10,600 of 5½% and 6% notes. **Price**—For preferred stock, at par ($10 per share); and for notes at par (in multiples of $100 each). **Proceeds** — For working capital. **Office**—303 North 37th Street, Philadelphia 4, Pa. **Underwriter**—None.

Producing Properties, Inc., Houston, Texas
Oct. 19 filed 555,000 shares of common stock (par 10¢) to be offered in exchange for shares of common stock of San Juan Exploration Co. at rate of 0.46413 of a share of Producing Properties stock for each San Juan share. The offer is to expire at 3 p.m. (CST) on Nov. 15, 1956.

Prudential Federal Uranium Corp.
March 21 (letter of notification) 6,000,000 shares of common stock (par two cents). **Price**—Five cents per share. **Proceeds**—For mining expenses. **Underwriter**—Skyline Securities, Inc., Denver 2, Colo.

Public Service Electric & Gas Co. (11/14)
Oct. 16 filed $50,000,000 first and refunding mortgage bonds due Nov. 1, 1986. **Proceeds**—To reduce bank loans and for construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Kuhn, Loeb & Co. and Lehman Brothers (jointly); Morgan Stanley & Co. and Drexel & Co. (jointly). **Bids**—Expected to be received up to 11 a.m. (EST) on Nov. 14.

● Puerto Rican Jai Alai, Inc.
July 27 filed $1,500,000 of 12-year 6% first mortgage bonds due 1968, and 300,000 shares of common stock (par $1) to be offered in units of a $500 bond and 100 shares of stock. **Price**—May be $675 per unit. **Proceeds** — For construction of fronton and related activities. **Office**—San Juan, Puerto Rico. **Underwriters**—Crerje & Co., Houston, Texas; Dixon Bretscher Noonan, Inc., Springfield, Ill.; and Aetna Securities Corp., New York.

Pyramid Development Corp., Washington, D. C.
July 27 (letter of notification) 300,000 shares of common stock (par 10 cents), of which 25,000 shares are to be reserved for issuance upon exercise of options. **Price**—$1 per share. **Proceeds**—To purchase real property and mortgage notes. **Underwriter**—Coombs & Co. of Washington, D. C.

Pyramid Productions, Inc., New York (11/8)
Sept. 27 filed 220,000 shares of common stock (par $1), of which 200,000 shares are to be offered to public and 20,000 shares issued to underwriter. **Price**—$5 per share. **Proceeds**—To retire $125,000 of outstanding 15% debentures as well as a $173,180 debt to Trans-Union Productions, Inc.; and for working capital. **Business**—Television releases. **Underwriter**—E. L. Aaron & Co., New York.

Redi-Food Co., Inc.
Oct. 8 (letter of notification) 150,000 shares of common stock (par 10 cents). **Price**—$2 per share. **Proceeds**—To purchase plant and equipment. **Office**—2505 Butler Place, New York City. **Underwriter**—Hopp & Co., Passaic, N. J.

Reichhold Chemicals, Inc. (11/14)
Oct. 19 filed 200,000 shares of common stock (par $1). **Price** — To be supplied by amendment. **Proceeds** — For working capital and construction program. **Underwriter**—Blyth & Co., Inc., San Francisco, Calif., and New York, N. Y.

Re-Mark Chemical Co., Inc.
Oct. 4 (letter of notification) 99,630 shares of class A cumulative participating preference stock (par 80 cents). **Price**—$1.75 per share. **Proceeds**—For completion of a sulphur mill; working capital, etc. **Office**—64 N. E. 73rd St., Miami, Fla. **Underwriter**—Frank L. Edenfield & Co., Miami, Fla.

Ross (J. O.) Engineering Corp., New York
Sept. 10 filed 19,059 shares of common stock (par $1) being offered in exchange for common stock of John Waldron Corp. at the rate of one Ross share for each two Waldron shares. Offer will become effective upon deposit of at least 90% of the outstanding common stock, of which Ross presently owns 61.53%. The offer will expire on Nov. 15. **Underwriter**—None. Statement effective Oct. 3.

★ St. John D'el Rey Mining Co., Ltd., of England
Oct. 23 filed 60,000 American depositary receipts for ordinary registered stock. **Depositary**—Guaranty Trust Co. of New York.

★ St. Regis Paper Co.
Oct. 26 filed 750,000 shares of common stock (par $5) to be offered in exchange for outstanding common stock (par $10) of J. Neils Lumber Co. at rate of 2½ St. Regis shares for each Neils common share. The offer will expire on Dec. 31, 1956, unless extended. **Exchange Agent**—The First National Bank of Portland, P. O. Box 3457, Portland, Ore.

Samson Uranium, Inc., Denver, Colo.
Aug. 21 (letter of notification) 25,000,000 shares of capital stock. **Price**—At par (10 cents per share). **Proceeds**—For core drilling, including geological research and core assays; for mining shaft; to exercise purchase of option agreement on additional properties; for working capital and other corporate purposes. **Underwriter** — Indiana State Securities Corp. of Indianapolis, Ind., for offering to residents of Indiana.

● San Jacinto Petroleum Corp. (11/14)
Oct. 24 filed $8,000,000 of subordinated convertible debentures, due Nov. 1, 1971. **Price** — To be supplied by amendment. **Proceeds**—To retire bank loans, for exploration and development activities and for general corporate purposes. **Underwriter**—White, Weld & Co., New York.

Sandura Co., Inc., Philadelphia, Pa.
Oct. 8 filed 150,000 shares of preferred stock (par $7.50) and 50,000 shares of common stock (par five cents) to be issued in connection with the merger of Paulsboro Manufacturing Co. into Sandura Co., Inc. **Price**—$10 per share. **Proceeds** — For expansion, equipment and working capital. **Underwriter** — Butcher & Sherrerd, Philadelphia, Pa.

Seaboard Finance Co.
Sept. 18 filed $15,000,000 of sinking fund notes due Oct. 1, 1971. **Price**—To be supplied by amendment. **Proceeds**—To reduce bank loans. **Underwriter**—The First Boston Corp., New York. **Offering**—Temporarily postponed.

★ Sheraton Corp. of America, Boston, Mass.
Oct. 26 filed 355.091 shares of common stock (par 50 cents) which may be issuable upon the exercise of stock purchase warrants which are to accompany the 5% debentures due March 1, 1967 which are offered in exchange for the outstanding 4¾% convertible debentures under an offer of exchange dated Sept. 1, 1956. **Price**—$25 per share. **Proceeds** — For general corporate purposes. **Underwriter**—None.

Oct. 25 filed 10,000 memberships in the corporation's Employees Savings Plan; $455,000 of 4¾% convertible debentures due March 1, 1967, now held by the Plan; and for $1,000,000 of 5% debentures due March 1, 1967 (with common stock purchase warrants attached).

Sierra Pacific Power Co. (11/14)
Oct. 11 filed $3,000,000 of first mortgage bonds due Nov. 1, 1986. **Proceeds**—To repay bank loans and for new construction. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; Stone & Webster Securities Corp. and Dean Witter & Co. (jointly); Blair & Co., Incorporated. **Bids**—Expected to be received up to 11 a.m. (EST) on Nov. 14 at 49 Federal St., Boston, Mass.

★ Sinclair Oil Corp. (11/15)
Oct. 25 filed, not to exceed $170,593,900 of convertible subordinated debentures due Dec. 1, 1986, to be offered for subscription by common stockholders of record Nov. 14, 1956, on the basis of $100 of debentures for each nine common shares held; rights to expire on Dec. 3. **Price**—To be supplied by amendment (expected to be 100% of principal amount). **Proceeds**—For capital expenditures. **Underwriters** — Smith, Barney & Co. and Merrill Lynch, Pierce, Fenner & Beane, both of New York City.

Southern General Insurance Co., Atlanta, Ga.
Sept. 24 filed 95,714 shares of common stock (par $5), of which 50,000 shares are to be offered publicly; 20,714 shares are to be offered in exchange for 10,357 shares of $10 par common stock of Progressive Fire Insurance Co.; and 25,000 shares are to be offered to certain other persons. **Price**—To public, $14.50 per share; and to certain persons, $13 per share. **Proceeds**—To pay bank loan. **Underwriter** — The Robinson-Humphrey Co., Inc., Atlanta, Ga. **Offering**—Date indefinite.

Southern New England Telephone Co.
Sept. 19 filed 679,012 shares of capital stock (par $25) to be offered for subscription by stockholders of record Oct. 1, 1956 at the rate of one new share for each eight shares held; right to expire on Nov. 2. **Price**—$30 per share. **Proceeds**—To pay advances from American Telephone & Telegraph Co. (approximately $15,800,000) and for property additions and improvements. **Underwriter**—None. **Offering**—Delayed indefinitely by company on Oct. 4. (See also next paragraph.)

Southern New England Telephone Co.
Sept. 19 filed 1,173,696 rights to purchase 146,712 shares of new capital stock (par $25) to be issued to American Telephone & Telegraph Co., which owns 21.61% of the outstanding stock of Southern New England Telephone Co. **Proceeds**—To American Telephone & Telegraph Co. **Underwriter**—To be determined by competitive bidding. Probable bidders: Blyth & Co., Inc.; White, Weld & Co.; Putnam & Co.; Chas. W. Scranton & Co., and Cooley & Co. (jointly); The First Boston Corp.; Salomon Bros. & Hutzler. **Bids**—Had been expected to be received up to 11 a.m. (EDT) on Oct. 10. (See also preceding paragraph.)

Southern Union Oils Ltd., Toronto, Canada
Aug. 24 filed 750,000 shares of capital stock (par $1). **Price**—64½ cents per share. **Proceeds**—To selling stockholders. **Underwriter**—None.

Southwest Grease & Oil Co.
Sept. 27 (letter of notification) 40,000 shares of common stock. **Price**—At par ($7.50 per share). **Proceeds**—For purchase of new equipment and working capital. **Office**—220 W. Waterman St., Wichita 2, Kan. **Underwriters**—Small-Milburn Co., Inc., Brooks & Co. and Lathrop, Herrick & Clinger, Inc., all of Wichita, Kan.

● Southwestern Investment Co., Amarillo, Texas
Oct. 1 filed 68,323 shares of 5.75% sinking fund preferred stock (with common stock purchase warrants) being offered for subscription by common stockholders of record Oct. 17 at the rate of one preferred share for each 11 common shares held; rights to expire Nov. 2. **Price**—At par ($20 per share). **Proceeds**—For working capital and retirement of bank loans. **Underwriters** — Schneider, Bernet & Hickman, Inc., Dallas, Tex.; The First Trust Co. of Lincoln, Neb.; Beecroft, Cole & Co., Topeka, Kan.; Boettcher & Co.; Denver, Colo.; and Dewar, Robertson & Pancoast and Austin, Hart & Parvin, both of San Antonio, Texas.

Southwestern Resources, Inc., Santa Fe, N. M.
June 8 filed 1,000,000 shares of common stock (par 25 cents). **Price**—$5 per share. **Proceeds**—To exercise options, purchase additional properties and for general corporate purposes. **Underwriter**—Southwestern Securities Co., Dallas, Texas.

Southwide Corp., Anniston, Ala.
Sept. 12 filed 450,635 shares of common stock (par $1), of which 211,681 shares are to be offered publicly 238,954 shares are to be offered in exchange for the class A stock of Capital Fire & Casualty Co. and common stock of Allied Investment Corp. **Price**—$2 per share. **Proceeds**—For purchase of stock of Capital and Allied firms and for purchase of U. S. Government bonds. **Underwriter**—None, but a selling commission will be allowed to dealers for sales effected by them. Elvin C. McCary, of Anniston, Ala., is President.

★ Spar-Mica Corp., Ltd., Montreal, Canada (11/19-22)
Oct. 29 filed 400,000 shares of 5% convertible preferred stock (par $5). **Price** — To be supplied by amendment (proposed maximum offering price is $6 per share). **Proceeds**—For construction costs. **Underwriters**—Hamlin & Lunt, Buffalo, N. Y.; Allen & Co. and Cowen & Co., both of New York, N. Y.; and Straus, Blosser & McDowell, Chicago, Ill.

Stevens (J. P.) & Co., Inc., New York
June 28 filed $30,000,000 of debentures due July 1, 1981. **Price**—To be supplied by amendment. **Proceeds**—To reduce short-term loans, to retire $950,000 of 4¾% first mortgage bonds and $368,679 of 6% preferred stock of subsidiaries. **Underwriter**—Goldman, Sachs & Co., New York. **Offering**—Indefinitely postponed.

Sun Castle, Inc., Pompano Beach, Fla.
Oct. 15 filed 1,598 shares of common stock (par $5) and 800 registered 6% mortgage bonds due March 15, 1972 (of $1,000 principal amount each). **Price**—At par. **Proceeds**—To construct and operate a resort motel and club upon property in Broward County, Fla. **Underwriter**—None. Ernest C. Cassill is President and Treasurer.

Texas Calgary Co., Abilene, Texas
Sept. 25 filed 3,700,000 shares of capital stock (par 25 cents). **Price**—At market from time to time on the American Stock Exchange or the Toronto Stock Exchange or by private sale. **Proceeds**—To A. P. Scott, the selling stockholder. **Underwriter**—None.

Texas Power & Light Co. (11/20)
Oct. 16 filed $10,000,000 of first mortgage bonds due 1986. **Proceeds**—To repay advances and for construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co., Blyth & Co., Inc., Kidder, Peabody & Co. and Merrill Lynch, Pierce, Fenner & Beane (jointly); Eastman Dillon, Union Securities & Co. and Salomon Bros. & Hutzler (jointly); White, Weld & Co.; Lehman Brothers, Drexel & Co. and Hemphill, Noyes & Co. (jointly); The First Boston Corp. **Bids**—Expected to be received up to 11:30 a.m. (EST) on Nov. 20.

★ Theatrical Interests Plan, Inc., New York City
Oct. 30 filed 52,000 shares of class A stock (par five cents) and 28,000 shares of class B stock (par five cents). **Price**—Of class A, expected at $10 per share in lots of not less than 25 shares; of class B, expected at par. **Proceeds**—For investment in theatrical and entertainment fields. **Business**—A non-diversified closed-end management investment company. **Underwriter**—None.

Thermoray Corp.
June 29 (letter of notification) 380,000 shares of common stock (par 10 cents). **Price** — 75 cents per share. **Proceeds**—For inventory, working capital, etc. **Business**—Electrical heating. **Office**—26 Avenue B, Newark, N. J. **Underwriter**—Eaton & Co., Inc., New York.

Togor Publications, Inc., New York
March 16 (letter of notification) 299,700 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—For working capital and general corporate purposes. **Office**—381 Fourth Ave., New York, N. Y. **Underwriter**—Federal Investment Co., Washington, D. C.

● Union Chemical & Materials Corp.
May 25 filed 200,000 shares of common stock (par $10). **Price**—To be supplied by amendment. **Proceeds**—To selling stockholders. **Office**—Chicago, Ill. **Underwriters**—Allen & Co., Bache & Co. and Reynolds & Co., Inc., all of New York. Statement withdrawn.

● United Cuban Oil, Inc. (11/12-16)
Aug. 29 filed 2,573,625 shares of common stock (par 10 cents), of which 2,000,000 shares are to be offered publicly and 573,625 shares will be issued in exchange for stock of Compania de Formento Petrolero Ted Jones, S. A. (amendment filed Oct. 16 reducing proposed offering to 1,000,000 shares). **Price**—$1.25 per share. **Proceeds**—For development and exploration costs. **Office**—

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Los Angeles, Calif. **Underwriter**—S. D. Fuller & Co., New York.

★ United Merchants & Manufacturers, Inc.
Oct. 29 filed interests in the Employee Stock Purchase Plan for 1957 and common stock (par $1) for the Executive Employees Restricted Stock Option Plan to be offered to eligible employees of the company and its subsidiaries.

● United States Air Conditioning Corp.
Sept. 27 filed 600,000 shares of common stock (par 10 cents), of which 50,000 shares are to be offered to employees, distributors and dealers; 50,000 shares, plus any of the unsold portion of the first 50,000 shares, are to be offered to the public; and the underwriter will be granted options to acquire the remaining 500,000 shares for reoffer to the public. **Price**—At market prices. **Proceeds**—For working capital and general corporate purposes. **Office**—Philadelphia, Pa. **Underwriter**—Mortimer B. Burnside & Co., Inc., New York. **Offering**—Expected this week.

Universal Fuel & Chemical Corp.
May 17 (letter of notification) 300,000 shares of capital stock. **Price**—At par ($1 per share). **Proceeds**—For mining expenses. **Office**—825 Broadway, Farrell, Pa. **Underwriter**—Langley-Howard, Inc., Pittsburgh, Pa.

Van Horn Butane Service (11/13)
Sept. 28 filed 75,000 shares of cumulative convertible preferred stock, series A (par $25). **Price**—To be supplied by amendment. **Proceeds**—To acquire stock of Liquid Gas & Appliance Co., Teton Gas & Appliance Co., General Equipment Co., The McHade L. P. Gas Co., Lincoln Gas & Appliance Co. and Sweetwater Gas & Equipment Co.; and stock and certain assets of Ransome Co. of Nevada; to reduce short-term indebtedness; and for working capital. **Office**—Fresno, Calif. **Underwriters**—Schwabacher & Co., Inc. and J. Barth & Co., both of San Francisco, Calif.

Vendo Co., Kansas City, Mo.
Sept. 20 filed 32,778 shares of common stock (par $2.50) to be offered to holders of Vendorlator Manufacturing Co. common stock purchase warrants in lieu of their right to buy Vendorlator common stock. Warrants are exercisable until Sept. 20, 1960. **Price**—$7.33 per share. **Proceeds**—To redeem Vendorlator debentures. **Underwriter**—None.

Venezuela Diamond Mines, Inc., Miami, Fla.
Aug. 31 filed 1,500,000 shares of common stock. **Price**—At par (20 cents per share). **Proceeds**—For exploration and mining operations in Venezuela. **Underwriter**—Columbia Securities Co., Inc., of Florida, Miami, Fla.

Venture Securities Fund, Inc., Boston, Mass.
Sept. 4 filed 200,000 shares of capital stock (par $1). **Price**—Initially at $25 per share. **Proceeds**—For investment. **Underwriter**—Venture Securities Corp., 26 Federal St., Boston, Mass.

Walt Disney Productions, Burbank, Calif.
Aug. 24 filed $7,500,000 of convertible subordinated debentures due Sept. 1, 1976. **Price**—To be supplied by amendment. **Proceeds**—$243,740 to redeem outstanding 4% debentures, series A, due 1960; balance for retirement of secured demand note. **Underwriter**—Kidder, Peabody & Co., New York. Statement withdrawn. Company now plans stock offering to shareholders. (See under "Prospective Offerings.")

Western States Natural Gas Co.
Aug. 24 (letter of notification) 500,000 shares of common stock (par 10 cents). **Price**—50 cents per share. **Proceeds**—For development of oil and gas. **Office**—Felt Bldg., Salt Lake City, Utah. **Underwriter**—Us-Can Securities, Inc., Jersey City, N. J.

Wheland Co., Chattanooga, Tenn.
May 23 filed $2,000,000 of convertible subordinated debentures due June 1, 1976, and 136,000 shares of common the company's account and 61,000 shares for a selling stockholder. **Price** — To be supplied by amendment. **Proceeds**—Together with proceeds from private sale of $1,500,000 4¾% first mortgage bonds and $900,000 of 3-year unsecured 4½% notes to a group of banks, will be used to retire outstanding series A and series B 5% first mortgage bonds, and for expansion program. **Underwriters**—Hemphill, Noyes & Co., New York; Courts & Co., Atlanta, Ga.; and Equitable Securities Corp., Nashville, Tenn. **Offering** — Temporarily postponed.

Wildcat Mountain Corp., Boston, Mass.
Aug. 13 filed $800,000 of 6% subordinated cumulative debentures due Dec. 1, 1976, and 6,000 shares of common stock (no par) to be offered in units of a $400 debenture and three shares of stock. **Price** — $500 per unit. **Proceeds**—For construction and working capital. **Business**—Mountain recreation center. **Underwriter**—None; offering to be made by officers and agents of company.

Wilson & Co., Inc.
Aug. 28 filed $20,000,000 of 20-year sinking fund debentures due 1976. **Price**—To be supplied by amendment. **Proceeds** — To redeem presently outstanding first mortgage bonds, to repay bank loans and for expansion program. **Business**—Meat packing firm. **Underwriters**—Smith, Barney & Co.; Glore Forgan & Co. and Hallgarten & Co., all of New York City. **Offering**—Indefinitely postponed.

Prospective Offerings

Appalachian Electric Power Co.
May 31 it was announced company plans to issue and sell in December $24,000,000 of first mortgage bonds. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Union Securities Corp. and Kuhn, Loeb & Co. (jointly); The First Boston Corp.; Harriman Ripley & Co., Inc.

Associated Truck Lines, Inc.
Oct. 11 it was announced corporation plans to issue and sell $1,000,000 of 6% convertible subordinated debentures due Oct. 1, 1971 at par and 75,000 shares of common stock (par $3) at $11 per share (the latter for the account of selling stockholders). **Proceeds**—From sale of debentures, for expansion and working capital. **Business**—A short haul motor common carrier operating over 3,300 miles or routes in Illinois, Indiana, Michigan and Ohio. **Office**—Grand Rapids, Mich. **Underwriter**—Paine, Webber, Jackson & Curtis, Boston, Mass., and New York, N. Y. **Offering**—Indefinitely postponed.

Boulder Acceptance Corp., Boulder, Colo.
July 16 it was announced company plans to offer and sell 3,000,000 shares of its common stock. **Price**—At par ($6 per share). **Proceeds**—To construct hotel; set up instalment loan company; and for working capital and general corporate purposes. **Underwriter**—Allen Investment Co., Boulder, Colo. Stock to be sold in Colorado.

Burroughs Corp.
Oct. 15 it was announced that plans for new financing totaling between $25,000,000 and $30,000,000, probably in the form of convertible debentures. **Proceeds**—For expansion program. **Underwriter** — May be Lehman Brothers, New York.

● Carolina Power & Light Co.
Oct. 15 it was reported company plans to issue and sell between $15,000,000 and $20,000,000 of first mortgage bonds. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co. and A. C. Allyn & Co. Inc. (jointly); W. C. Langley & Co. and The First Boston Corp. (jointly); Equitable Securities Corp.; Blyth & Co., Inc.; Kidder, Peabody & Co. and Merrill Lynch, Pierce, Fenner & Beane (jointly). **Offering**—Expected in 1957.

● Chase Manhattan Bank, New York (11/16)
Oct. 3 it was announced stockholders will vote Nov. 13 on increasing the authorized capital stock (par $12.50) from 12,000,000 shares to 13,000,000 shares, the additional 1,000,000 shares to be offered for subscription by stockholders of record Nov. 15, 1956 on the basis of one new share for each 12 shares held; rights to expire on Dec. 3. **Underwriter**—The First Boston Corp., New York.

Chicago, Burlington & Quincy RR. (11/8)
Bids will be received by this company at its office in Chicago, Ill., up to noon (CST) on Nov. 8 for the purchase from it of $3,600,000 equipment trust certificates to be dated Nov. 1, 1956 and to mature in 30 equal semi-annual instalments. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

Chicago & Illinois Midland Ry.
Sept. 29 it was announced the ICC has denied an application by this company for an exemption of $9,000,000 of first mortgage bonds from the Commission's bidding requirements. **Proceeds**—To retire $7,450,000 of 4¾% unsecured serial notes and to allow the company to buy 299 box cars which it now leases. **Underwriter**—Halsey, Stuart & Co. Inc., may be included among the bidders for this issue.

Chicago & North Western Ry. (11/8)
Bids will be received by the company, at 400 West Madison St., Chicago 6, Ill., up to noon (CST) on Nov. 8 for the purchase from it of $3,375,000 equipment trust certificates to be dated Nov. 15, 1956 and to mature in 15 equal annual instalments. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

Dallas Power & Light Co. (12/3)
Oct. 10 it was reported company plans to issue and sell approximately $15,000,000 of first mortgage 30-year bonds. **Proceeds** — To repay bank loans and for construction program. **Underwriter** — To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Salomon Bros. & Hutzler; Kidder, Peabody & Co. and Merrill Lynch, Pierce, Fenner & Beane (jointly); Eastman Dillon, Union Securities & Co.; Kuhn, Loeb & Co.; Equitable Securities Corp.; Blair & Co. Incorporated and Baxter, Williams & Co. (jointly); Lehman Brothers. **Bids**—Expected to be received up to noon (EST) on Dec. 3.

● Delaware Power & Light Co.
Oct. 26 it was announced company plans to sell 80,000 shares ($8,000,000 of preferred stock. **Proceeds** — For construction program. **Underwriter** — To be determined by competitive bidding. Probable bidders: White, Weld & Co. and Shields & Co. (jointly); Kidder, Peabody & Co. and Harriman Ripley & Co., Inc. (jointly); Kuhn, Loeb & Co. and Ladenburg, Thalmann & Co. (jointly); Merrill Lynch, Pierce, Fenner & Beane; Lehman Brothers; W. C. Langley & Co. and Eastman Dillon, Union Securities & Co. (jointly); Blyth & Co., Inc., and The First Boston Corp. (jointly). **Registration**—Planned for about Nov. 14. **Offering**—Now expected in Dec. 1956.

Eversweet, Inc. (11/12-16)
Oct. 15 it was reported that this company (a consolidation of Vita-Fresh Corp. and John H. King & Co.) plans early registration of 100,000 shares of common stock. **Price**—$5 per share. **Business**—Producers of fresh orange juice. **Underwriter**—Burton J. Vincent & Co., Chicago, Ill.

Flair Records Co.
Aug. 13 it was reported company plans to issue and sell to residents of New York State 50,000 shares of common stock. **Price**—$2 per share. **Underwriter**—Foster-Mann, Inc., New York.

Florida Power & Light Co. (12/11)
Oct. 15 it was reported company plans to issue and sell approximately $20,000,000 30 - year first mortgage bonds. **Proceeds** — To repay bank loans and for construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Merrill Lynch, Pierce, Fenner & Beane and Kidder, Peabody & Co. (jointly); The First Boston Corp.; Blyth & Co., Inc.; White, Weld & Co.; Lehman Brothers. **Bids** — Tentatively expected to be received up to 11:30 a.m. on Dec. 11.

Food Fair Stores, Inc.
Aug. 28 stockholders voted to increase the authorized indebtedness from $35,000,000 to $60,000,000 and to increase the authorized common stock from 5,000,000 shares to 10,000,000 shares. **Underwriter**—Eastman Dillon, Union Securities & Co., New York.

General Aniline & Film Corp.
Sept. 21 it was announced that the Attorney General of the United States, following reclassification of the shares of this corporation, plans to sell certain of the vested 2,983,576 shares of new class B stock which will then be held.

General Public Utilities Corp.
Sept. 12, A. F. Tegen, President, announced that the stockholders are going to be offered approximately 647,000 additional shares of common stock (par $5) early in 1957 on the basis of one new share for each 15 shares held. Merrill Lynch, Pierce, Fenner & Beane acted as clearing agent in previous offering to stockholders.

Hawaiian Telephone Co.
July 30 it was announced that company plans to acquire a 15% participation with American Telephone & Telegraph Co. in a proposed $36,700,000 California-to-Hawaii cable and, if approved by the directors on Aug. 16, will be probably be financed by a debenture issue. Hawaiian Telephone Co.'s investment will be approximately $5,500,000. **Underwriter**—Probably Kidder, Peabody & Co., New York.

High Authority of the European Coal and Steel Community, Luxembourg
July 9 this Authority announced that an American banking group consisting of Kuhn, Loeb & Co., The First Boston Corp. and Lazard Freres & Co. has been appointed to study the possibility of a loan to be issued on the American market. The time, amount and terms will depend on market conditions. **Proceeds** — To be loaned to firms in the Community for expansion of coal mines, coking plants, power plants and iron ore mines.

★ Illinois Central RR. (12/11)
Bids are expected to be received by the company on Dec. 11 for the purchase from it of $9,000,000 equipment trust certificates to mature in 15 equal annual instalments. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

Interstate Fire & Casualty Co.
Sept. 26 it was reported company plans to issue and sell 75,000 additional shares of common stock. **Underwriter**—White & Co., St. Louis, Mo. **Offices** — Chicago and Bloomington, Ill.

Jersey Central Power & Light Co.
Sept. 12, it was announced company plans to issue and sell $8,000,000 of first mortgage bonds. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kidder, Peabody & Co.; The First Boston Corp.; White, Weld & Co.; Eastman Dillon, Union Securities & Co., Salomon Bros. & Hutzler and Merrill Lynch, Pierce, Fenner & Beane (jointly).

Libby, McNeill & Libby
Oct. 15 it was reported that the company is said to be considering new financing in the neighborhood of between $15,000,000 to $20,000,000. **Underwriter**—May be Glore, Forgan & Co., New York.

Long Island Lighting Co. (12/5)
Oct. 17 it was announced company plans to issue and sell $20,000,000 of 30-year first mortgage bonds. **Proceeds**—To repay bank loans and for construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; W. C. Langley & Co.; Blyth & Co., Inc. and The First Boston Corp. (jointly); Blair & Co. Incorporated and Baxter, Williams & Co. (jointly); Smith, Barney & Co. **Bids**—Expected to be received up to 11 a.m. (EST) on Dec. 5.

Louisiana Power & Light Co. (1/15)
Oct. 4 it was reported that the company plans the issuance and sale of between $18,000,000 and $20,000,000 first mortgage bonds due 1987. **Proceeds**—For reduction of bank loans and construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Equitable Securities Corp. and Eastman Dillon, Union Securities & Co. (jointly); Kuhn, Loeb & Co.; Blyth & Co., Inc.; Merrill Lynch, Pierce, Fenner & Beane, Kidder, Peabody & Co. and Harriman Ripley & Co. Inc. (jointly); Salomon Bros. & Hutzler; The First Boston Corp., and Glore, Forgan & Co. (jointly);; White, Weld & Co. and Shields & Co. (jointly). **Bids**—Expected to be received about Jan. 15, 1957.

Louisville & Nashville RR. (11/13)
Bids will be received by this company up to noon (EST) on Nov. 13 for the purchase from it of $7,695,000 equipment trust certificates to mature in 15 equal annual instalments. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

May Department Stores Co.
July 19 it was announced that this company may undertake financing for one or more real estate companies. **Proceeds** — For development of branch [illegible] gional shopping centers. **Underwriters**—Goldman, Sachs & Co. and Lehman Brothers, New York.

Metropolitan Edison Co.
July 2 it was reported that company is considering the sale of $10,000,000 first mortgage bonds due 1986. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; White, Weld & Co.; Blyth & Co., Inc.; Kidder, Peabody & Co. and Drexel & Co. (jointly); The First Boston Corp. **Bids**—Not expected to be received until December or early in 1957. Company presently plans to issue and sell $22,000,000 of bonds in the next 16 months.

Michigan Bell Telephone Co. (12/4)
Sept. 24 the directors authorized the company to issue and sell $30,000,000 35-year debentures, due Dec. 1, 1991. **Proceeds**—For construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co. **Bids**—Expected to be received on Dec. 4.

● **National Bank of Detroit**
Nov. 1 it was announced bank is offering 263,400 additional shares of capital stock to stockholders on the basis of one new share for each 10 shares held as of Nov. 1, 1956; rights to expire on Nov. 21. **Price**—$52 per share. **Proceeds**—For capital and surplus account. **Underwriter**—Morgan Stanley & Co., New York.

★ **National Cash Register Co. (12/4)**
Oct. 25 it was announced early registration is expected of $28,285,600 convertible debentures due 1981 to be offered for subscription by common stockholders of record about Dec. 4, 1956, at the rate of $100 of debentures for each 25 common shares held; rights to expire on Dec. 19. **Underwriter** — Dillon, Read & Co. Inc., New York.

National City Bank of Cleveland, Ohio (11/5)
Oct. 8 it was announced Bank proposes to offer to its stockholders of record Oct. 24, 1956 the right to subscribe on or before Dec. 3 for 100,000 additional shares of capital stock (par $16) on the basis of one new share for each 10 shares held. **Price**—$50 per share. **Proceeds**—To increase capital and surplus accounts. **Underwriter**—Merrill, Turben & Co., Inc., Cleveland, O.

New England Electric System
Jan. 3, 1956, it was announced company plans to merge its subsidiaries, Essex County Electric Co., Lowell Electric Light Corp., Lawrence Electric Co., Haverhill Electric Co. and Amesbury Electric Light Co., into one company during 1956. This would be followed by a $20,000,000 first mortgage bond issue by the resultant company, the name of which has not as yet been determined. **Underwriter** — May be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co., Salomon Bros. & Hutzler, Eastman Dillon, Union Securities & Co. and Wood, Struthers & Co. (jointly); Lehman Brothers; The First Boston Corp.; Equitable Securities Corp.; Merrill Lynch, Pierce, Fenner & Beane, Kidder, Peabody & Co. and White, Weld & Co. (jointly). **Offering**—Expected in first half of 1957.

New England Power Co.
Jan. 3 it was announced company now plans to issue and sell $10,000,000 of first mortgage bonds early in 1957. **Underwriters** — To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co., Salomon Bros. & Hutzler, Eastman Dillon, Union Securities & Co. and Wood, Struthers & Co. (jointly); Lehman Brothers; The First Boston Corp.; Equitable Securities Corp.; Merrill Lynch, Pierce, Fenner & Beane, Kidder, Peabody & Co. and White, Weld & Co. (jointly).

New England Telephone & Telegraph Co. (1/8)
Oct. 16 it was announced that the company plans to issue and sell $35,000,000 of 29-year debentures. **Proceeds**—To repay temporary borrowings. **Underwriter** — To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Morgan Stanley & Co. **Bids** — Expected to be received on Jan. 8, 1957.

New Jersey Power & Light Co.
Sept. 12 it was announced company plans to issue and sell $5,000,000 of first mortgage bonds. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co.; Kuhn, Loeb & Co., Lehman Brothers and Salomon Bros. & Hutzler (jointly); Eastman Dillon, Union Securities & Co. and White, Weld & Co. (jointly); Equitable Securities Corp.; The First Boston Corp.; Merrill Lynch, Pierce, Fenner & Beane.

★ **New York State Electric & Gas Corp.**
Oct. 24 it was announced company plans to sell in the Spring of 1957, $25,000,000 of debt securities and an additional $20,000,000 in 1958. **Proceeds** — To finance construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co.; Blyth & Co. Inc. and Smith, Barney & Co. (jointly); The First Boston Corp. and Glore, Forgan & Co. (jointly); Harriman Ripley & Co. Inc.; Kidder, Peabody & Co. and Salomon Bros. & Hutzler (jointly).

Niagara Mohawk Power Corp.
Oct. 17, Earle J. Machold, President, announced that the company plans to sell in the near future $50,000,000 of convertible debentures. The stockholders on Dec. 4 will vote on approving this issue. **Proceeds**—For construction program. **Underwriter**—May be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Morgan Stanley & Co.; Kuhn, Loeb & Co. and Eastman Dillon, Union Securities & Co. (jointly).

Northern Natural Gas Co.
July 19 it was reported company plans to finance its 1956 construction program (costing about $40,000,000) through issuance of debentures and treasury funds in latter part of year. **Underwriter**—Probably Blyth & Co., Inc.

Offshore Gathering Corp., Houston, Texas
Nov. 18, 1955, David C. Bintliff, Pres., announced company has filed an application with the Federal Power Commission for a certificate of necessity to build a 364-mile submarine gas pipeline off-shore the coast of Louisiana from the Sabine River to the Gulf Coast of the State of Mississippi. It is estimated that this gathering system will cost approximately $150,000,000. Type of financing has not yet been determined, but tentative plans call for private sale of first mortgage bonds and public offer of about $40,000,000 of securities (probably notes, convertible into preferred stock at maturity, and common stock). **Underwriter**—Salomon Bros. & Hutzler, New York.

Oklahoma Corp., Oklahoma City, Okla.
July 26 it was announced company has been authorized by the Oklahoma Securities Commission to issue and sell in the State of Oklahoma $20,000,000 of its capital stock ($10,000,000 within organization and $10,000,000 publicly). **Proceeds**—To organize or acquire seven subsidiaries. **Business**—A holding company. **Underwriter**—None.

Pacific Northwest Power Co.
Aug. 13 it was reported company plans to sell about $32,000,000 of common stock to the organizing companies and that arrangements are expected to be made to borrow up to $60,000,000 on a revolving bank loan which will be reduced through the sale of bonds to institutional investors as well as the general public. **Proceeds**—To pay, in part, for cost of new power project to cost an estimated $217,400,000.

Palisades Amusement Park, Fort Lee, N. J.
Aug. 21, Irving Rosenthal, President, announced that company plans to purchase another amusement park and merge the two and then sell stock to public.

Pan Cuba Oil & Metals Corp. (Del.)
April 9, Walter E. Seibert, President, announced that company will soon file a registration statement with the SEC preparatory to an equity offering planned to take place later this year. **Business**—To explore, drill and operate oil, gas and mineral properties in the United States, Cuba and Canada. **Office**—120 Broadway, New York, N. Y.

Pennsylvania Electric Co.
Sept. 12 it was announced company plans to issue and sell $6,000,000 of first mortgage bonds. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Merrill Lynch, Pierce, Fenner & Beane, Eastman Dillon, Union Securities & Co. and White, Weld & Co. (jointly); Equitable Securities Corp.; The First Boston Corp.; Harriman Ripley & Co. Inc.; Kuhn, Loeb & Co.

★ **Pennsylvania RR.**
Bids are expected to be received by the company sometime in December for the purchase from it of about $9,200,000 equipment trust certificates. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

Phillips Petroleum Co.
Sept. 24 it was indicated that the company next year will give consideration to refunding its $75,000,000 of short-term bank loans. After review, the company will decide the most appropriate type of long-term borrowing, whether it be insurance loans, long-term bank borrowing, convertible debentures or straight debentures. **Underwriter**—The First Boston Corp., New York.

Pittsburgh & Lake Erie RR. (11/1)
Bids will be received by the company up to noon (EST) on Nov. 1 at 466 Lexington Ave., New York 17, N. Y., for the purchase from it of $7,305,000 equipment trust certificates to be dated Nov. 15, 1956 and mature in 15 equal annual instalments. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; Kidder, Peabody & Co.

Pittsburgh Rys. Co.
May 4 it was announced that Standard Gas & Electric Co. will offer to its stockholders rights to subscribe for 540,651.75 shares of Pittsburgh Rys. Co. **Price**—About $6 per share.

Public Service Co. of Colorado
Oct. 8 it was reported company plans the issue and sale of $30,000,000 first mortgage bonds. **Proceeds**—To repay bank loans and for new construction. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kidder, Peabody & Co. and White, Weld & Co. (jointly); The First Boston Corp.; Blyth & Co., Inc. and Smith, Barney & Co. (jointly); Lehman Brothers; Harriman Ripley & Co. Inc. **Bids**—Expected to be received early in 1957.

Public Service Co. of Indiana, Inc.
July 30 it was reported company may issue and sell about $30,000,000 first mortgage bonds. **Proceeds** — To retire bank loans and for construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc.; The First Boston Corp.; Harriman Ripley & Co. Inc.; Glore, Forgan & Co.; Kuhn, Loeb & Co., Salomon Bros. & Hutzler and Eastman Dillon, Union Securities & Co. (jointly). Offering postponed.

Public Service Electric & Gas Co.
Sept. 18 it was announced company plans to issue and sell 1,000,000 additional shares of common stock (no par) early in December. **Proceeds**—To repay bank loans and for new construction. **Underwriters**—Morgan Stanley & Co., Drexel & Co., and Glore, Forgan & Co.

Puget Sound National Bank of Tacoma
Oct. 18 it was announced stockholders will vote Nov. 14 on approving a proposed offering of 25,000 additional shares of new capital stock on the basis of one new share for each three shares held. **Price**—$30 per share. **Proceeds**—To increase capital and surplus.

St. Louis-San Francisco Ry.
Sept. 5 company offered not exceeding $61,600,000 of 50-year income 5% debentures, series A, due Jan. 1, 2006, 154,000 shares of common stock (no par), and cash equivalent to the unpaid portion of the preferred dividend which has been declared payable in 1956, in exchange for its 616,000 shares of $100 par value 5% preferred stock, series A, on the basis of $100 of debentures, one-quarter share of common stock and unpaid dividends of $2.50 per preferred share in exchange for each 5% preferred share. The offer will expire on Dec. 31, 1956, unless extended. **Dealer-Manager** — Eastman Dillon, Union Securities & Co., New York. **Exchange Agent**—The Chase Manhattan Bank, New York.

Seiberling Rubber Co.
Sept. 10 it was reported that the company plans long-term debt financing and/or issuance of additional common stock. **Proceeds**—To redeem preferred stocks and for expansion program, etc. **Underwriter** — Probably Blair & Co. Incorporated, New York.

Southern Counties Gas Co. of California
Jan. 30 it was reported company may in the Fall offer $15,000,000 of first mortgage bonds. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc.; The First Boston Corp.; White, Weld & Co.; Merrill Lynch, Pierce, Fenner & Beane.

Southern Electric Generating Co.
May 18, it was announced that this company, 50% owned by Alabama Power Co. and 50% by Georgia Power Co., subsidiaries of Southern Co., plans to issue debt securities. **Proceeds**—Together with other funds, to construct and operate a $150,000,000 steam electric generating plant on the Coosa River in Alabama. **Underwriter**—May be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Eastman, Dillon, Union Securities & Co.; Equitable Securities Corp. and Drexel & Co. (jointly); Lehman Brothers; Harriman Ripley & Co. Inc. and Goldman, Sachs & Co. (jointly); Blyth & Co., Inc. and Kidder, Peabody & Co. (jointly); Morgan Stanley & Co.

Southwestern Public Service Co.
Aug. 7 it was announced company plans to issue and sell in February or March, 1957, $5,000,000 of first mortgage bonds and to offer to stockholders 292,000 additional shares of common stock on a 1-for-14 basis. **Proceeds**—For construction program. **Underwriter**—Dillon, Read & Co., New York.

Texam Oil Corp., San Antonio, Texas
Oct. 1 it was announced that the 1,000,000 additional shares of common stock, recently authorized by the directors, will provide the company with the additional working capital it will require for further expansion.

Texas Eastern Transmission Corp. (12/10-21)
Oct. 9 it was announced plans to issue and sell, subject to market conditions, $40,000,000 of debentures due 1976. **Proceeds**—For expansion program. **Underwriter**—Dillon, Read & Co. Inc., New York.

● **United States Rubber Co.**
June 29, H. E. Humphreys, Jr., Chairman, stated that issuance of convertible debentures is one of several possible methods the company has been considering for raising $50,000,000 to $60,000,000 which may be needed for plant expansion and working capital. He added that, if convertible debentures are issued, they will be offered pro rata to common stockholders. **Underwriter**—Kuhn, Loeb & Co., New York. **Offering**—Expected by 1958.

Walt Disney Publications, Burbank, Calif.
Oct. 2 it was announced the company now proposes to offer to its common stockholders the right to subscribe for 186,500 additional shares of common stock (par $2.50) at the rate of one new share for each seven shares held (with an oversubscription privilege). **Price**—$20 per share. **Proceeds** — To retire short-term bank loans and for working capital. **Underwriter** — None. However, Atlas Corp., which owns about 17% of the common stock outstanding, will subscribe for any stock not taken by others. For every share subscribed for through exercise of primary and secondary rights, the stockholders would receive a further right to purchase until Nov. 30, 1957, one additional share at $22.

Washington Gas Light Co.
June 7 it was announced company proposes to finance proposed new construction of pipeline in Virginia to cost about $3,380,000 from funds generated by operations, sale of common stock and temporary bank borrowings. **Underwriter** — The First Boston Corp., New York; and Johnston, Lemon & Co., Washington, D. C.

● **Watson Brothers Transportation Co. (11/15)**
Sept. 19, it was reported public offering of an issue of 619,776 shares of class A common stock (par $1) was planned late in October. **Price**—Expected to be around $7.50 per share. **Proceeds** — To selling stockholders. **Underwriters** — Cruttenden & Co., Chicago, Ill., The First Trust Co. of Lincoln, Neb.; and Wachob Bender Corp., Omaha, Neb.

IBA Miss. Valley Group Elects Officers

ST. LOUIS, Mo.—The Mississippi Valley Group of the Investment Bankers Association of America announces results of its election for the coming year:

Newell S. Knight, Vice-President, Mercantile Trust Co., as Chairman.

He Succeeds George A. Newton, partner of G. H. Walker & Co.

Elvin K. Popper, partner of I. M. Simon & Company, as Vice-Chairman.

Hunter Breckenridge, President, McCourtney-Breckenridge & Co., as Secretary and Treasurer.

Walter J. Creely, partner, Goldman Sachs & Company, succeeds Chapin S. Newhard, partner of Newhard Cook & Co., as Governor.

Mr. Creely will serve on Board of Governors along with Bert H. Horning, Vice-President, Stifel Nicolaus & Co., whose term expires in 1958.

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The Ramparts We Watch

cialism, government propaganda, and ruinous taxation.

Elsewhere these nostrums have always been narcotics resulting in despotism, for they sap the independence of the people, and leave them unable to cope with spiritual wickedness in high places.

This brings us to the fourth and most important rampart of freedom — fidelity to the spiritual truths on which America was built.

William Ellery Channing, famous American clergyman, summarized these in a single sentence which reads, "There is no way of obtaining God's blessing but obedience to His laws."

We are a brilliant but perverse generation. In the physical field free Americans have moved with breath-taking acumen and boundless energy to discover God's scientific laws. As a result we have made more progress in solving the secrets and possibilities of the physical world than all mankind in previous history.

Political Area Ignores Moral and Spiritual Truth

Yet in the political sector those holding power flout moral and spiritual truth as though God and His justice were only a mirage.

In national affairs pious words and ostentatious lip-service to sacred values are offered as the equivalent of Christian conduct.

Am I too harsh?

How else can you explain our behavior in crossing the ocean twice in one generation to engage in vain and futile global war —in each of which the shiny ideals promised were soon discarded and forgotten, but the human and spiritual losses are with us indefinitely.

We affirm faith in the Prince of Peace, but our national actions in far-flung warfare speak louder than our words.

Today we follow a policy of global intervention — political, military and economic. We have troops in more than forty foreign countries. Our military bases encircle the globe.

What reason do we have for believing that these imperialistic tactics will bring a different result than earlier imperialistic tactics Roman, Spanish or British?

These matters are issues that American parents should be discussing. It is our children who will pay the price of present and future blunders.

Admires 1776-1914 U. S. A.

From 1776 to 1914 America was truly the light of the world. While our record was not perfect, yet Washington's and Jefferson's traditional policy of "peace, commerce, and honest friendship with all nations, entangling alliances with none" helped build a better world. Freedom and righteousness were making progress in many lands.

The spiritual ramparts we watch cannot be strong unless our national actions are in consonance with the spiritual beliefs we profess. Surely in the eyes of our Creator well-turned phrases will not substitute for deeds.

Please do not misunderstand me. I make no claim to competence or authority in spiritual matters. But one does not have to be theologically trained to see the shocking gap between our national religious pretensions and our international performance.

A nation that drops atomic bombs on a civilian population of a beaten enemy seeking peace has strayed far from the paths of love and brotherhood. That is on the record.

In discussing the four civilian bulwarks of freedom, I have related what to me are sobering facts. If they are incorrect or out of perspective then they can be discounted. But if they are true and fairly presented, then our duty is clear.

It is for us to use a goodly share of our time and talents to change this situation—for only the brains, courage and energies of the people can correct it.

Cannot Rely on Political Leaders

You cannot expect political leaders to improve it, for improvement means restoring much power to the people, and political rulers always fight that change. They want more power—not less.

The measure of our patriotism and courage is this—are we willing to fight for the right even though we cannot see the time when right will triumph?

America has always had that kind of men, for America has had dark days before. They were dark at Valley Forge, they were dark in 1862 when the Civil War was in the balance. Moreover, I saw dark days in Washington in 1946, when the OPA was slowly strangling free enterprise and free markets.

I want to close by telling you that story,—a story of how the American people saved freedom after Washington had capitulated.

In January of 1946 the war-inspired OPA was still going strong, although all hostilities had ceased in August 1945. The President in his State of the Union message called on Congress to extend the OPA to June 30, 1947.

Some weeks later the House Banking and Currency Committee, of which I was a member, began hearings on this proposal.

In the succeeding weeks the committee heard, from many witnesses, a sordid story of political pressures, favoritism, special privilege, black market bootleggers and thinly-veiled corruption, all direct consequences of the price, wage, and rent fixing laws embodied in the OPA. As I listened to the parade of witnesses detailing the evils of the OPA, it seemed impossible to me that that bureaucratic monstrosity would be kept alive.

But I underestimated the powerful forces striving for the continuance of OPA. The Administration and its gigantic propaganda machine, plus the OPA bureaucracy, plus the many thousands of honest as well as dishonest beneficiaries of this agency, all went to work to keep OPA operating.

After long and arduous hearings the Banking Committee finally reached the point of voting "Yes" or "No" on its extension. Those of us who opposed continuation of OPA lost.

Going back to office I fell in step with Dr. Frederick Smith, staunch conservative from Ohio.

With resignation in his voice, Dr. Smith declared, "Howard, we're licked. They will keep OPA going until free competitive enterprise in America is strangled, and then we'll be in a socialist economy. We can't stop them. The radio commentators are overwhelmingly against us, and with the Administration's propaganda machine and control of the Congress, we can't stop it."

People Themselves Won Against OPA

I wasn't exactly feeling jubilant myself, but I was impelled to try to cheer my good friend up, so, like a scared kid whistling past the graveyard, I responded.

"Well, Doc, I think we can beat them. We have economic truth on our side and that is bound to be decisive."

I wasn't exactly convincing, and the conversation faded out in a curtain of gloom.

What happened?

The OPA extension bill came before Congress. After a long seesaw battle and some changes, it was driven through both the House and the Senate, then signed by the President. The OPA was on its way again.

That's what Washington thought. But at the grass roots across America, the people had decided differently. They had had enough OPA. Massive resistance appeared everywhere, and the normal channels of distribution for some vital commodities ceased to function.

A blustering President muttered something about using Federal troops to seize the cattle on the ranges, but he cooled off,—and announced that OPA was through. The people won. They won over the combined power of a majority of Congress, the Bureaucracy, the President, and government's gigantic propaganda machine.

Likewise the people can win again. They can restore the ramparts of freedom and national security. But they must understand the crisis that confronts them and they must have the courage and energy to overcome it.

For God performs no miracles for people who will not help themselves.

Prosperity Continues to Roll

Latest N.A.P.A. business survey reveals general state of business "is still very good," with continued price increases shortening purchasing forward commitment buying period.

The composite opinion of the National Association of Purchasing Agents, who comprise the N.A.P.A. Business Survey Committee, whose Chairman is Chester F. Ogden, Purchasing Manager, the Detroit Edison Company, Detroit, concludes business "is still very good," based upon purchasing executives' October reports on the general state of their business.

Production continues high, with 36% reporting it up as compared to 38% in September. New orders are also down slightly, with 34% having a better new-order position as compared to 39% in the earlier month. Approximately 50% report their new orders and production are at the same high levels as in September.

Continued price increases, added where many feel they are already too high, are resulting in some shortening of the period for which purchasing executives will commit the company's money in forward buying. The only exceptions seem to be on those hard-to-get items where substantial lead time is necessary to get requirements scheduled.

Very little change is noted in either inventories or employment from last month.

Prosperity apparently continues to roll in spite of the obstacles thrown into its path. The October special question suggested that the increased cost of borrowing money might retard capital expansion or improvement plans. Not so, say ⅔ of the purchasing executives answering the question. There was a general feeling that planned projects under way are not likely to be modified. However, they do believe that some projects, planned but not started, may be held up until the turn of the year, when there can be another look at business generally, and the profit picture specifically, before definitely moving ahead.

Commodity Prices

Prices continue their upward movement but there are indications that the current scramble to raise prices is abating. This month, 67% of our reporting members say the items they buy are up in price, as compared to 84% last month. There is, however, definite price weakness reported on certain items such as copper and lumber. Furthermore, in at least one instance, a price increase was rescinded because buyers apparently resisted the higher quotations.

Inventories

In general, purchasing executives continue to be satisfied with their inventory situation. More than half report no change from last month and the balance are about equally divided between reporting slight increases and slight decreases. As reported last month, the lack of adequate inventories of nickel and critical steel items is hampering some operations.

Employment

There is a very slight drop reported in the level of employment this month. The return to school of thousands of Summer employed students is given as the predominant reason. Again this month, as has been the case so many times during the past few years, purchasing executives report shortages of engineers, skilled tradesmen and qualified office help.

Buying Policy

Forward commitments at high prices appear to be too risky a gamble to many. This is best reflected in this month's drop in the lead time indicated for both production and MRO items.

A decrease in the number reporting production buying in the 120-day and over range was offset by a corresponding increase in those buying in the 30-day range.

There were no reports from buyers who said they needed, or wanted, to order in the 120-day and over range on MRO supplies.

As can be expected, most capital expenditures continue to remain in the 120-day and over category. An interesting trend toward a gradual lengthening of lead time required to fabricate and deliver capital items is clearly evident from the information furnished by the Committee members during the past two years.

Specific Commodity Changes

The quick wage settlement with the operators put coal prices heavily into the "Up" column this month. Nickel is again reported Up this month, reflecting the tight supply and gray market situation, since there has been no change in the 64½c published price.

On the up side are: Nickel, steel and many steel products, soda ash, caustic soda, paper, vegetable oils, sugar, machine tools, coal, oil, textiles, electric motors, glass products, coated abrasives, paint, electrical controls and equipment and hardware.

On the down side are: Copper, meat and lumber.

In short supply are: Nickel, steel of many kinds, monel, paper and kraft, cellophane and electric motors.

Meader Fletcher With Wulff-Hansen & Co.

(Special to The Financial Chronicle)

SAN FRANCISCO, Calif. — Meader A. Fletcher has become associated with Wulff-Hansen & Co., Russ Building. Mr. Fletcher was previously a partner in Mitchum, Jones & Templeton in charge of sales in Northern California.

With A. L. Albee Co.

(Special to The Financial Chronicle)

BOSTON, Mass.—Pearl R. Jackman is now associated with A. L. Albee & Co., Inc., 4 Liberty Square. He was formerly with Bristol Securities Company.

Joins Brown Bros.

(Special to The Financial Chronicle)

BOSTON, Mass.—Eric A. Lindberg has joined the staff of Brown Brothers Harriman & Co., 10 Post Office Square.

Form Moore & Flotard

Robert Moore and George H. Flotard have formed Moore & Flotard with office as 60 Beaver Street, New York City, to engage in a securities business.

Noel Sanborn Opens

RIVERHEAD, N. Y. — Noel B. Sanborn is conducting a securities business from offices at 130 Griffing Avenue.

Indications of Current Business Activity

The following statistical tabulations cover production and other figures for the latest week or month available. Dates shown in first column are either for the week or month ended on that date, or, in cases of quotations, are as of that date:

		Latest Week	Previous Week	Month Ago	Year Ago
AMERICAN IRON AND STEEL INSTITUTE:					
Indicated steel operations (percent of capacity)	Nov. 4	§101.0	*101.2	101.8	99.4
Equivalent to—					
Steel ingots and castings (net tons)	Nov. 4	§2,486,000	*2,491,000	2,506,000	2,400,000
AMERICAN PETROLEUM INSTITUTE:					
Crude oil and condensate output—daily average (bbls. of 42 gallons each)	Oct. 19	6,997,350	*6,992,650	7,063,100	6,752,650
Crude runs to stills—daily average (bbls.)	Oct. 19	¶7,530,000	7,498,000	8,041,000	7,477,000
Gasoline output (bbls.)	Oct. 19	25,658,000	26,405,000	27,341,000	26,084,000
Kerosene output (bbls.)	Oct. 19	2,772,000	2,323,000	2,369,000	2,253,000
Distillate fuel oil output (bbls.)	Oct. 19	11,979,000	12,402,000	12,278,000	10,813,000
Residual fuel oil output (bbls.)	Oct. 19	7,742,000	7,632,000	7,678,000	7,717,000
Stocks at refineries, bulk terminals, in transit, in pipe lines—					
Finished and unfinished gasoline (bbls.) at	Oct. 19	173,087,000	174,062,000	176,944,000	151,536,000
Kerosene (bbls.) at	Oct. 19	33,929,000	33,564,000	33,657,000	36,844,000
Distillate fuel oil (bbls.) at	Oct. 19	155,288,000	153,199,000	148,816,000	149,886,000
Residual fuel oil (bbls.) at	Oct. 19	47,715,000	47,349,000	47,835,000	46,641,000
ASSOCIATION OF AMERICAN RAILROADS:					
Revenue freight loaded (number of cars)	Oct. 20	828,741	823,207	822,255	829,078
Revenue freight received from connections (no. of cars)	Oct. 20	676,559	675,622	685,083	688,992
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD:					
Total U. S. construction	Oct. 25	$550,482,000	$446,621,000	$483,437,000	$295,207,000
Private construction	Oct. 25	419,790,000	265,393,000	308,314,000	177,470,000
Public construction	Oct. 25	130,692,000	181,228,000	175,123,000	117,737,000
State and municipal	Oct. 25	99,146,000	157,790,000	132,112,000	87,792,000
Federal	Oct. 25	31,546,000	23,438,000	43,011,000	29,945,000
COAL OUTPUT (U. S. BUREAU OF MINES):					
Bituminous coal and lignite (tons)	Oct. 20	10,480,000	10,230,000	10,100,000	9,773,000
Pennsylvania anthracite (tons)	Oct. 20	692,000	686,000	658,000	518,000
DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1947-49 AVERAGE = 100	Oct. 20	129	134	131	133
EDISON ELECTRIC INSTITUTE:					
Electric output (in 000 kwh.)	Oct. 27	11,391,000	11,333,000	11,365,000	10,659,000
FAILURES (COMMERCIAL AND INDUSTRIAL) — DUN & BRADSTREET, INC.	Oct. 25	267	254	251	230
IRON AGE COMPOSITE PRICES:					
Finished steel (per lb.)	Oct. 23	5.622c	5.622c	5.622c	5.174c
Pig iron (per gross ton)	Oct. 23	$63.04	$63.04	$63.04	$59.09
Scrap steel (per gross ton)	Oct. 23	$56.83	$56.17	$58.17	$44.50
METAL PRICES (E. & M. J. QUOTATIONS):					
Electrolytic copper—					
Domestic refinery at	Oct. 24	38.575c	39.600c	39.650c	42.700c
Export refinery at	Oct. 24	33.950c	35.400c	37.300c	43.325c
Straits tin (New York) at	Oct. 24	105.625c	106.875c	105.000c	96.250c
Lead (New York) at	Oct. 24	16.000c	16.000c	16.000c	15.500c
Lead (St. Louis) at	Oct. 24	15.800c	15.800c	15.800c	15.300c
Zinc (East St. Louis) at	Oct. 24	13.500c	13.500c	13.500c	13.000c
MOODY'S BOND PRICES DAILY AVERAGES:					
U. S. Government Bonds	Oct. 30	90.80	91.29	91.69	95.98
Average corporate	Oct. 30	98.41	98.73	99.36	107.62
Aaa	Oct. 30	101.64	102.46	102.96	111.25
Aa	Oct. 30	100.65	100.81	101.14	109.60
A	Oct. 30	98.41	98.73	99.68	107.27
Baa	Oct. 30	93.08	93.52	93.97	102.63
Railroad Group	Oct. 30	97.00	97.47	97.94	106.04
Public Utilities Group	Oct. 30	98.57	98.88	99.36	107.98
Industrials Group	Oct. 30	99.68	100.00	100.65	108.88
MOODY'S BOND YIELD DAILY AVERAGES:					
U. S. Government Bonds	Oct. 30	3.26	3.21	3.16	2.80
Average corporate	Oct. 30	3.85	3.83	3.39	3.30
Aaa	Oct. 30	3.65	3.60	3.57	3.10
Aa	Oct. 30	3.71	3.70	3.68	3.19
A	Oct. 30	3.85	3.83	3.77	3.32
Baa	Oct. 30	4.20	4.17	4.14	3.59
Railroad Group	Oct. 30	3.94	3.91	3.88	3.39
Public Utilities Group	Oct. 30	3.84	3.82	3.79	3.28
Industrials Group	Oct. 30	3.77	3.75	3.71	3.23
MOODY'S COMMODITY INDEX	Oct. 30	418.1	415.5	425.5	402.3
NATIONAL PAPERBOARD ASSOCIATION:					
Orders received (tons)	Oct. 20	251,985	257,075	252,534	240,944
Production (tons)	Oct. 20	276,397	279,692	272,890	292,172
Percentage of activity	Oct. 20	94	96	94	102
Unfilled orders (tons) at end of period	Oct. 20	442,344	470,412	434,900	598,836
OIL, PAINT AND DRUG REPORTER PRICE INDEX—1949 AVERAGE = 100	Oct. 26	109.49	*109.15	108.99	106.79
STOCK TRANSACTIONS FOR ODD-LOT ACCOUNT OF ODD-LOT DEALERS AND SPECIALISTS ON N. Y. STOCK EXCHANGE — SECURITIES EXCHANGE COMMISSION:					
Odd-lot sales by dealers (customers' purchases)—†					
Number of shares	Oct. 6	1,478,649	1,272,859	907,152	1,167,614
Dollar value	Oct. 6	$81,390,885	$68,975,372	$51,297,168	$61,502,506
Odd-lot purchases by dealers (customers' sales)—					
Number of orders—Customers' total sales	Oct. 6	888,436	835,230	685,507	945,199
Customers' short sales	Oct. 6	8,822	7,554	3,967	5,967
Customers' other sales	Oct. 6	879,614	877,676	681,540	939,232
Dollar value	Oct. 6	$45,227,452	$45,351,808	$35,934,534	$50,456,939
Round-lot sales by dealers—					
Number of shares—Total sales	Oct. 6	170,200	224,770	163,360	217,180
Short sales	Oct. 6	------	------	------	------
Other sales	Oct. 6	170,200	224,770	163,360	217,180
Round-lot purchases by dealers—					
Number of shares	Oct. 6	764,100	589,080	418,080	472,810
TOTAL ROUND-LOT STOCK SALES ON THE N. Y. STOCK EXCHANGE AND ROUND-LOT STOCK TRANSACTIONS FOR ACCOUNT OF MEMBERS (SHARES):					
Total round-lot sales—					
Short sales	Oct. 6	560,790	397,440	425,850	429,900
Other sales	Oct. 6	10,680,240	10,118,520	7,094,000	10,734,290
Total sales	Oct. 6	11,240,430	10,515,960	7,519,850	11,164,190
ROUND-LOT TRANSACTIONS FOR ACCOUNT OF MEMBERS, EXCEPT ODD-LOT DEALERS AND SPECIALISTS:					
Transactions of specialists in stocks in which registered—					
Total purchases	Oct. 6	1,448,960	1,340,320	1,037,390	1,573,220
Short sales	Oct. 6	291,270	223,860	221,750	224,820
Other sales	Oct. 6	1,302,720	1,129,520	768,610	1,413,680
Total sales	Oct. 6	1,593,990	1,353,380	990,360	1,638,500
Other transactions initiated on the floor—					
Total purchases	Oct. 6	322,220	277,300	205,230	299,370
Short sales	Oct. 6	41,000	20,600	30,400	24,200
Other sales	Oct. 6	330,700	333,070	185,030	321,160
Total sales	Oct. 6	371,700	353,670	215,430	345,360
Other transactions initiated off the floor—					
Total purchases	Oct. 6	545,048	514,136	304,553	504,134
Short sales	Oct. 6	98,810	54,140	88,690	65,920
Other sales	Oct. 6	599,818	530,072	359,123	505,407
Total sales	Oct. 6	698,628	584,212	447,813	571,327
Total round-lot transactions for account of members—					
Total purchases	Oct. 6	2,316,228	2,131,756	1,547,173	2,376,724
Short sales	Oct. 6	431,080	298,600	340,840	314,940
Other sales	Oct. 6	2,233,238	1,992,662	1,312,763	2,240,247
Total sales	Oct. 6	2,664,318	2,291,262	1,653,603	2,555,187
WHOLESALE PRICES, NEW SERIES — U. S. DEPT. OF LABOR — (1947-49 = 100):					
Commodity Group—					
All commodities	Oct. 23	115.0	*115.2	115.1	111.1
Farm products	Oct. 23	88.2	*88.3	90.0	86.5
Processed foods	Oct. 23	103.1	*103.6	103.9	98.9
Meats	Oct. 23	82.2	84.6	87.7	77.4
All commodities other than farm and foods	Oct. 23	123.0	*123.1	122.6	118.7

*Revised figure. ¶Includes 970,000 barrels of foreign crude runs. ‡Based on new annual capacity of 128,363,000 tons as of Jan. 1, 1956, as against Jan. 1, 1955 basis of 125,828,319 tons. †Number of orders not reported since introduction of Monthly Investment Plan.

	Latest Month	Previous Month	Year Ago
‡AMERICAN RAILWAY CAR INSTITUTE— Month of September:			
Orders for new freight cars	3,949	2,575	3,228
New freight cars delivered	3,444	5,364	3,118
BANKERS' DOLLAR ACCEPTANCES OUTSTANDING — FEDERAL RESERVE BANK OF NEW YORK—As of Sept. 29:			
Imports	$294,379,000	$271,475,000	$253,363,000
Exports	257,803,000	258,778,000	183,329,000
Domestic shipments	14,416,000	13,361,000	8,951,000
Domestic warehouse credits	98,755,000	83,956,000	99,261,000
Dollar exchange	17,125,000	20,730,000	32,820,000
Based on goods stored and shipped between foreign countries	122,636,000	124,172,000	86,976,000
Total	$805,114,000	$772,472,000	$670,700,000
BUILDING PERMIT VALUATION — DUN & BRADSTREET, INC.—215 CITIES—Month of September:			
New England	$41,514,711	$26,913,867	$24,005,371
Middle Atlantic	143,813,654	158,926,421	99,334,159
South Atlantic	36,035,444	63,725,591	39,647,694
East Central	100,331,047	122,667,772	117,556,138
South Central	75,695,241	77,003,855	71,424,418
West Central	28,676,526	36,187,037	31,725,277
Mountain	21,129,196	25,589,299	19,099,757
Pacific	79,313,394	104,434,805	74,232,987
Total United States	$526,509,213	$615,448,707	$477,025,801
New York City	96,679,762	114,957,757	58,177,460
Outside New York City	429,829,451	500,490,950	418,848,341
BUSINESS FAILURES—DUN & BRADSTREET, INC.—Month of September:			
Manufacturing number	140	195	168
Wholesale number	85	98	99
Retail number	489	567	366
Construction number	146	146	114
Commercial service number	72	95	75
Total number	932	1,101	822
Manufacturers' liabilities	$9,539,000	$17,828,000	$10,798,000
Wholesale liabilities	4,220,000	10,806,000	7,147,000
Retail liabilities	15,656,000	14,772,000	8,253,000
Construction liabilities	7,840,000	7,507,000	4,256,000
Commercial service liabilities	2,058,000	4,127,000	2,666,000
Total liabilities	$39,313,000	$55,040,000	$33,120,000
CASH DIVIDENDS—PUBLICLY REPORTED BY U. S. CORPORATIONS—U. S. DEPT. OF COMMERCE—Month of Sep. (000's omitted)	$1,591,000,000	$293,000,000	$1,488,400,000
COTTON AND LINTERS — DEPT. OF COMMERCE — RUNNING BALES:			
Consumed month of September	822,180	686,275	873,738
In consuming establishment as of Sept. 29	899,280	797,238	1,205,776
In public storage as of Sept. 29	14,279,709	12,312,831	11,843,574
Linters—Consumed month of September	129,775	154,938	147,823
Stocks Sept. 29	827,099	854,882	1,352,258
Cotton spindles active as of Sept. 29	18,780,000	18,912,000	19,243,000
COTTON SPINNING (DEPT. OF COMMERCE):			
Spinning spindles in place on Sept. 29	21,688,000	21,709,000	22,257,000
Spinning spindles active on Sept. 29	18,780,000	18,912,000	19,243,000
Active spindle hours (000's omitted) Sept. 29	10,678,000	8,849,000	11,363,000
Active spindle hours per spindle in place Sept.	427.1	442.5	454.5
DEPARTMENT STORE SALES—SECOND FEDERAL RESERVE DISTRICT, FEDERAL RESERVE BANK OF NEW YORK—1947-49 Average=100—Month of September:			
Sales (average monthly), unadjusted	115	95	*109
Sales (average daily), unadjusted	122	90	111
Sales (average daily), seasonally adjusted	120	117	109
Stocks, unadjusted	130	124	123
Stocks, seasonally adjusted	123	127	116
FACTORY EARNINGS AND HOURS—WEEKLY AVERAGE ESTIMATE—U. S. DEPT. OF LABOR—Month of September:			
Weekly Earnings—			
All manufacturing	$81.00	*$79.60	$77.71
Durable goods	87.54	*85.47	84.66
Nondurable goods	72.25	*71.50	68.97
Hours—			
All manufacturing	40.5	*40.2	40.9
Durable goods	41.1	*40.7	41.5
Nondurable goods	39.7	*39.5	40.1
Hourly Earnings—			
All manufacturing	$2.00	$1.98	$1.90
Durable goods	2.13	2.10	2.04
Nondurable goods	1.82	1.81	1.72
GAS APPLIANCE MANUFACTURERS ASSOCIATION—Month of August:			
Gas-fired furnace shipments (units)	98,400	71,700	99,600
Gas conversion burner shipments (units)	28,500	*17,900	23,200
Gas-fired boiler shipments (units)	10,900	6,000	12,500
Domestic gas range shipments (units)	193,400	*146,800	220,000
Gas water heater shipments (units)	248,100	253,300	275,600
LIFE INSURANCE—BENEFIT PAYMENTS TO POLICYHOLDERS—INSTITUTE OF LIFE INSURANCE—Month of August:			
Death benefits	$203,900,000	$204,700,000	$199,800,000
Matured endowments	49,500,000	51,000,000	48,400,000
Disability payments	9,300,000	9,300,000	9,100,000
Annuity payments	41,900,000	43,800,000	37,000,000
Surrender values	84,100,000	79,100,000	76,300,000
Policy dividends	89,600,000	81,700,000	71,600,000
Total	$478,300,000	$469,600,000	$442,200,000
METAL OUTPUT (BUREAU OF MINES)— Month of July:			
Mine production of recoverable metals in the United States:			
Gold (in fine ounces)	156,296	*152,055	132,123
Silver (i nfine ounces)	2,895,566	*3,147,546	2,379,069
Copper (in short tons)	81,618	94,934	33,343
Lead (in short tons)	28,108	29,263	25,783
Zinc (in short tons)	42,934	*45,066	41,817
PORTLAND CEMENT (BUREAU OF MINES)— Month of July:			
Production (barrels)	29,498,000	28,771,000	27,332,000
Shipments from mills (barrels)	31,333,000	31,996,000	29,124,000
Stocks (at end of month—barrels)	20,585,000	22,685,000	16,727,000
Capacity used (per cent)	109	110	107
UNITED STATES EXPORTS AND IMPORTS BUREAU OF CENSUS—Month of August (000's omitted):			
Exports	$1,363,800	$1,282,800	$1,108,400
Imports	1,049,100	1,050,600	960,300
ZINC OXIDE (BUREAU OF MINES)—Month of August;			
Production (short tons)	15,639	14,488	16,450
Shipments (short tons)	16,069	16,636	16,399
Stocks at end of month (short tons)	19,553	19,983	17,401

‡Corrected statement.

Selected Chief Still Stresses Inflation Risks

Selected American Shares President, Edward P. Rubin, reports:

"Business activity in the third quarter held nearly level with the comparable 1955 period, despite the steel strike, and now appears to be in a vigorous recovery. Both industrial production and gross national product are likely to establish new all-time annual highs in 1956.

"Corporate earnings in the first six months, as reported by the Department of Commerce, were 8% above the 1955 first half. However, the rise was not uniform; numerous companies in industries undergoing readjustment, or meeting rising costs and stiffer competition, had lower earnings. Dividends continued upward.

"Stock prices rose in July, then reacted in August and September. At the end of September, some of the more widely known stock market averages were moderately below their prices at the end of 1955. . . Short term market views have been influenced by Federal Reserve efforts to prevent and restrain possible excesses and inflationary tendencies. Other influences bearing upon immediate market sentiment probably included election uncertainties here and Suez Canal problems abroad.

"From the long term point of view, the management continues to adhere to the conviction that the dominant forces at work in this country are those working for further growth, and those involving further inflationary risks. On a shorter term basis, stock prices do not seem to be placing unreasonable valuations upon current or prospective earnings and dividends. Speculation in securities can properly be said to have been at a minimum, if one may judge by the moderate amount of brokers' loans.

"Primary emphasis (of the management) continues to be placed upon the endeavor to be 'selective' in the choice of industries and companies to be included in the company's investments."

Mutual Funds

By ROBERT R. RICH

Ahead: "Caution and Watchfulness"

An optimistic viewpoint over the longer term, and an attitude of "caution and watchfulness" over the period immediately ahead, is expressed by George Putnam, chairman of the trustees of the Putnam Fund, in the fund's 76th quarterly report dated Sept. 30, 1956.

Describing the present period as one of "opportunity to invest in carefully selected securities on a more attractive basis," Mr. Putnam says that "for the first time in many years attractive opportunities are present in good fixed income securities as well as selected common stocks."

Total net assets of the Putnam Fund on Sept. 30 were reported in excess of $131,000,000, and net asset value per share was $12.61, after payment of a dividend of 10 cents a share on Sept. 20, compared with $13.02 three months ago. Purchases by investors of new shares of the fund during the quarter ended Sept. 30 exceeded the same period of 1955 by 14%. Number of shares outstanding were at a new high of 10,392,422 compared with 9,215,591 on Sept. 30, 1955, and number of shareholders reached a record 37,700 compared with 32,800.

On Sept. 30 common stocks represented 63% of the fund's total investment, compared with 65% on June 30 and 67% a year ago.

Nation-Wide Assets Now $26 Million

Total net assets of Nation-Wide Securities Company, Inc., a balanced mutual fund managed by Calvin Bullock, amounted to $25,846,393 on Sept. 30, 1956, setting a new high for the firm. It compared with the previous high of $25,565,594 established a year earlier.

Net asset value per share according to the annual report, was $18.32 compared with $18.90 on Sept. 30, 1955. During the year, the report noted, Nation-Wide made a distribution of 74 cents per share from net securities profits. This means, said the annual report, that net asset value at Sept. 30, 1956, would otherwise have been $19.06 per share. Dividend payments of 71 cents per share from net investment income were made to shareholders during the period, a new high, the annual report noted.

The distribution of 74 cents per share on net securities profits —also a new high—reflects the amount of net profits realized on sales of common stocks at high levels prevailing during the year.

In his report to shareholders, Hugh Bullock, President, noted that under the present economic environment Nation-Wide has tended to reduce both its commitments of a cyclical nature and its holdings of convertible, fixed-income securities, which have become vulnerable to any general market decline. The trend toward tight money, Mr. Bullock said, has been of "considerable advantage" to Nation-Wide Securities because it enables a fixed income portion of the portfolio to provide a substantially higher rate of income than in the past.

Mutual Investment Fund reports assets of $11,112,988 as of Oct. 22, 1956. This is an increase of more than 51% over the 1955 total.

Commonwealth Fund Indentures of Trust, Plan A and Plan B (Boston, Mass.) reports net assets on Sept. 30. 1956 of $20,203,920 as compared with $19,029,952 at the close of the previous year. Net asset value per unit on Sept. 30, 1956, was $1.426 as compared with $1.444 the previous year-end. During the year distribution per unit from interest and dividends amounted to 4.9 cents and distributions from realized gains were 5.8 cents. The latter was the largest distribution from this source during the life of the fund.

T. Rowe Price Growth Stock Fund total assets increased to $7,601,996.53 from $5,642,710.02 the year previously. Net asset value per share increased to $30.92 from $29.11 on Sept. 30, 1955. If the $1.50 which was paid from realized profits in 1955 is added back, net asset value per share increased 11.4%. The total number of stockholders increased from 1,086 to 1,596 during the year. The payment of a $0.30 dividend on June 29, 1956 represented an increase of 15.4% above the $0.26 dividend paid in June, 1955.

Report on current investment policy: "A rise in production, employment, income, and retail sales to new peaks during the fourth quarter seems assured. However, wages and costs of materials have increased at a faster rate than productivity (output per man hour).

"A squeeze in profit margins seems likely in the period ahead, justifying a more cautious investment policy. This, plus increased political and international uncertainties is why your management has deemed it advisable to have 23.1% of the total portfolio invested in U. S. Government obligations, other bonds, and preferred stocks, and the lowest percentage in common stocks since the inception of the fund."

Science & Nuclear Fund's Donald F. Bishop, President, calls attention to the importance of companies producing rare metals such as zirconium, columbium, uranium, and lithium. These companies have received relatively large revenue from the development of nuclear science. Mr. Bishop discusses the importance of both resources of manpower and money to these companies. He cautioned, though, that the great opportunities were accompanied by considerable risk. "The time between even a great scientific development and its profitableness can be—indeed, usually is—both long and hazardous. Careful selection of securities and much patience is required to attain a satisfactory investment performance even over the long term." For the year ending Sept. 30, total assets of Science & Nuclear Fund increased $747,036. or 105% according to its annual report made public today. Total assets were $1,460,151 compared with $713,115 on Sept. 30, 1955. During this time asset value increased 11.9% to $11.30 a share from $10.10 a year before.

Bond Fund Price Falls Now on Restricted Money

Bond Fund of Boston net assets were $4,101,726 on Sept. 30, 1956, a new high for any reporting date, which compares with $3,646,615 at the close of the previous fiscal year last March 31, according to the current semi-annual report.

In their letter to shareholders, Henry T. Vance, Chairman and William F. Shelley, President observe that:

"In this half year period marked tightness developed in money markets with business financing and consumer spending demanding more funds than could readily be secured from investors. As a result, bonds generally reached the lowest prices since the beginning of World War II. Closing net asset value per share of the 'Bond Fund' was $7.73 compared to $8.11 per share at March 31, 1956. This limited decline of under 5% resulted from the quality and selection of the portfolio."

Incorporated Investors sales in the quarter ended Sept. 30 amounted to more than $7,000,000 and were the largest for any three months period in the history of the company, according to the 123rd quarterly report to stockholders. Total net assets were $249,000,000 compared with $222,000,000 a year earlier. President Charles Devens and Chairman William A. Parker state that with business as a whole continuing to operate at record levels despite the 1956 drop in production of automobiles and new housing, Incorporated Investors management expects the vigor of the economy to continue and therefore the portfolio is maintained in a fully invested position.

Atomic Development Mutual Fund in the period ending Sept. 30, 1956, predicts that the British atomic power program which now calls for 16 reactors and is valued at almost a billion dollars, will be both enlarged and accelerated in the near future. The fund's management indicates increased requirements for uranium for the British atomic power program as one reason why securities of leading Canadian uranium producers are now undervalued. The fund's report includes a tabulation of the atomic aircraft program showing participating companies as well as the location and type of work in which they are engaged. Pictures of high voltage equipment and irradiated potatoes are also featured in the report.

Investment Company of America assets increased by $12,320,354 to $88,776,528 and shares outstanding by 1,102,964 to 9,220,890 shares in the nine-month period ended Sept. 30, 1956, Jonathan B. Lovelace, President, reported today. Net investment income for the period showed an increase of $538,046 over the corresponding period in 1955. The total net assets of $88,776,528 at Sept. 30, 1956 were equivalent to $9.63 per share for each of the 9,220,890 shares outstanding at that date. This compares with net assets at Dec. 31, 1955 of $76,456,174. or $9.42 per share on the 8,117,926 shares then outstanding.

Net investment income for the nine months ended Sept. 30, 1956 was $1,794,117, equal to approximately 20.1 cents per share on the 8,935,274 average number of shares outstanding during the period as compared with $1,256,071, or approximately 18.6 cents per share on the 6,762,461 average number of shares outstanding in the corresponding period a year ago. The report to shareholders showed that at Sept. 30, 1956, 11.5% of total assets consisted of government obligations and the excess of cash over liabilities. At the beginning of the period such assets represented 7.2% of the total and at June 30, 1956, they represented 10.5% of the total.

Delaware Fund Takes New Positions

Delaware Fund has complete new positions in Mellon Nationa Bank, Lone Star Gas, and Pacifi Power & Light, according to it latest semi - monthly Directors Letter. The fund also reports i has sold the balance of its hold ings of Canada Dry, Family Fi nance, American Radiator, Inter national Minerals, Texas Gul Sulphur, Southern Pacific, West ern Airlines, and U. S. Borax & Chemical. W. Linton Nelsor President, in commenting o Delaware's investment in machin ery stocks, describes Cooper Bes semer's recent 20% stock divi dend, and its management's fore cast of 1956 earnings of $8 o each share outstanding before thi dividend, as encouraging to th Fund's research staff which ha felt, he says, for some time nov the market "has been more influ enced by glamor and fashion tha by earnings and dividend pros pects; and that the old-fashione virtues of digging and study wer no longer paying off.

"Another one of our researc department's selections," he point out, "is Automatic Canteen whic closed at a new high last week In fact, with the exception of Alli Chalmers and Westinghouse Ai Brake, all of the stocks listed i our Machinery Group have bee turning in sterling performance recently. In addition to the fou stocks I have already mentioned, Mr. Nelson continues, "this list in cludes Mesta Machine, Timke Roller Bearing, and United Engi neering & Foundry."

IDS Reports

Net earnings of Investors Di versified Services, Inc. and un distributed earnings of its wholly owned subsidiaries in the nin months ended Sept. 30, 195 amounted to $9,133,416, equal t $6.28 per share compared wit $8,292,512 or $5.70 per share i the like period a year ago, ac cording to the unaudited figure released by the company.

Net earnings of IDS alon amounted to $4,630,054 or $3.1 per share for the first nine month of 1956, compared with $4,161,95 or $2.86 per share in the corre sponding period of 1955. Undis tributed earnings of IDS wholly owned subsidiaries rose to $4,503,362 or $3.10 per share as o Sept. 30, 1956, from $4,130,558 o $2.84 per share a year ago.

Harold Grothaus With National Securities

ST. LOUIS, Mo.—The appoint ment of Harold H. Grothaus c 319 North Fourth Street, St. Loui Missouri, as a wholesale represen tative in the Midwestern territor for the National Securities Serie of mutual funds, has been an nounced by Mr. H. J. Simonsor Jr., President of National Securi ties & Research Corporation, Nev York, sponsors and managers o the Series.

Mr. Grothaus will cover th States of Kansas and Missouri an serve as assistant to Mr. M. G. H Kuechle, resident Vice-Preside in Chicago.

Mr. Grothaus was associate from 1931 through 1951 with lead ing organizations in the capacit of Sales Manager. He was Assist ant Director of Marketing an Economic Research for Pillsbur Mills, Inc., and acting regiona price economist in Chicago for th United States Bureau of Labo Statistics. Prior to joining Na tional, Mr. Grothaus was, for number of years, Midwest Directo of Sales for a leading mutual fun

With R. F. Campeau

(Special to THE FINANCIAL CHRONICLE)

DETROIT, Mich.—Charles M Fay is now with R. F. Campea Company, Penobscot Building.

Our Reporter's Report

The investment world found little to enthuse over in the current week. The secondary market remained a distinctly nervous affair, with the Treasury list still inclined to heaviness. And underwriters continued to encounter mixed reception for new offerings brought to market.

As if the behavior of the money rates has not been enough to contend with, the markets had to look on as fuses sputtered threateningly around the powder kegs in eastern Europe and the Middle East.

Meantime, with the market still in the state of flux, institutional investors remained aloof. Their stand was ascribed in part to lack of free funds, but largely to the disposition to remain cautious for the present.

These investment outlets, even though their inflow of funds is well sustained, are believed to be fairly heavily committed ahead in the mortgage field. Private placements, also, have been a factor in soaking up their funds.

Several new issues reportedly went well, among them Quebec Hydro-Electric Commission's $35 million of 25-year, series P debentures. And Allied Stores Corp.'s $15 million of 20-year, 4¾% sinking fund debentures due out today were reported well spoken for.

But Ohio Power Co.'s $28 million of 30-year first mortgage bonds, marketed at a price of 100.848 to yield 4.20%, appeared rather slow at the start.

The market faces a period of quiet until Nov. 14 next, when Public Service Electric & Gas Corp. is due to open bids for $50 million of new bonds to repay bank loans and finance new construction.

Stock Bids Rejected

Underwriters ran into another of those trying situations this week when bids of two groups for a utility preferred stock issue, and a small one, were rejected by the issuer.

Ohio Power Co. had asked bids for 60,000 shares of preferred in addition to $28 million of first mortgage, 30-year bonds. The latter were awarded to a syndicate on a bid of 100.039 for a 4¼% coupon with reoffering planned at 100.848 to yield 4.20%.

But the best bid for the stock, 100.51 for a $4.92 dividend rate, was turned down. A lone competing bid offering the company 100.34 for a $5 dividend rate naturally went by the board.

Slow Election Week

The corporate new issue market is destined to taper off next week to the slowest tempo witnessed in quite a spell. Evidently the Election Day holiday around the country is a considerable factor.

However, the impending slack in new emissions probably is not entirely unwelcome in underwriting circles since it will provide an opportunity for working off some of the inventory which has been building up in recent weeks.

Monday will bring an offering, on "rights," involving 100,000 shares of capital stock of National City Bank of Cleveland priced at $50 a share in the ratio of one new share for each ten held.

Thursday brings out two small rail equipment issues, one of $3,600,000 for Chicago Burlington & Quincy and the other, $3,375,000 for Chicago & North Western.

Secondary Readily Sold

Bankers who handled the big secondary in American & Foreign Power Co., common, involving 185,000 shares, found the market receptive in spite of the rather jittery temper of the secondary market generally.

This offering was quickly over-subscribed, with Electric Bond & Share, which sold the block to comply with requirements of its plan of capital adjustment, receiving the proceeds.

The once big utility holding company, since turned investment firm, continues to own 3,856,985 shares of the operating company's stock.

With Whitehall Secs.

(Special to The Financial Chronicle)

MIAMI, Fla.—Paul E. Watkins has joined the staff of Whitehall Securities Corp. Mr. Watkins was formerly with A. B. Morrison & Co. and King Merritt & Co., Inc.

DIVIDEND NOTICES

AMERICAN & FOREIGN POWER COMPANY INC.

TWO RECTOR STREET, NEW YORK 6, N. Y.

COMMON STOCK DIVIDEND

The Board of Directors of the Company, at a meeting held this day, declared a quarterly dividend of 20 cents per share on the Common Stock for payment December 10, 1956 to the shareholders of record at the close of business November 9, 1956.

IMPORTANT

This dividend will not be distributed to holders of the old Preferred and Common Stocks of the Company until such shares have been exchanged for the new securities to which those holders are entitled under the Plan of Reorganization of the Company, which became effective February 29, 1952.

Holders of the old stock are urged to communicate with the Company.

H. W. Balgooyen,
Executive Vice President and Secretary

October 26, 1956.

QUALITY

The American Tobacco Company

205th COMMON DIVIDEND

A regular dividend of One Dollar ($1.00) per share has been declared upon the Common Stock of The American Tobacco Company, payable in cash on December 1, 1956, to stockholders of record at the close of business November 9, 1956. Checks will be mailed.

October 30, 1956 Harry L. Hilyard, *Treasurer*

DIVIDEND NOTICES

AMERICAN METER COMPANY
Incorporated

13,500 Philmont Ave.
Phila. 16, Pa., Oct. 25, 1956

A quarterly dividend of Fifty Cents ($.50) per share has been declared on the Capital Stock of the Company, payable December 14, 1956, to stockholders of record at the close of business November 30, 1956.

W. B. ASHBY, *Secretary*.

Berkshire Hathaway Inc.

The Directors of Berkshire Hathaway Inc. have declared a dividend of 25 cents per share on the Common Stock, payable December 1, 1956, to Stockholders of record November 9, 1956.

MALCOLM G. CHACE, JR.
October 25, 1956 *President*

Allied Chemical

Divisions

BARRETT · GENERAL CHEMICAL
MUTUAL CHEMICAL · NATIONAL ANILINE
NITROGEN · SEMET-SOLVAY
SOLVAY PROCESS

CASH DIVIDEND

Quarterly dividend No. 143 of $.75 per share has been declared on the Common Stock payable December 10, 1956, to stockholders of record at the close of business November 16, 1956.

SPECIAL STOCK DIVIDEND

A special stock dividend at the rate of 3 shares for each 100 shares outstanding will be paid on December 14, 1956, to stockholders of record on November 16, 1956.

Richard F. Hansen,
Secretary

October 30, 1956

Allied Chemical & Dye Corporation

Continuous Cash Dividends Have Been Paid Since Organization in 1920

DIVIDEND NOTICES

Bayuk Cigars Inc.

A quarterly dividend of twenty-five cents (25c) per share on the Common Stock of this Corporation was declared payable December 15, 1956 to stockholders of record November 30, 1956. Checks will be mailed.

Charles L. Nace
Treasurer

Philadelphia, Pa.
October 26, 1956

EATON MANUFACTURING COMPANY
CLEVELAND 10, OHIO

DIVIDEND No. 144

On October 26, 1956, the Board of Directors declared a dividend of seventy-five cents (75c) per share on the common shares of the Company, payable Nov. 23, 1956, to shareholders of record at the close of business Nov. 5, 1956.

R. G. HENGST, *Secretary*

Manufacturing plants in 15 cities, located in five states and Ontario

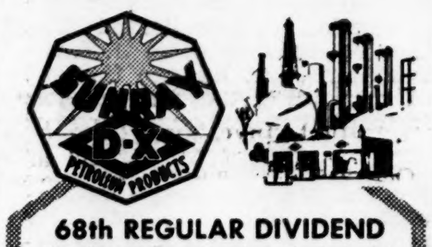
Harbison-Walker Refractories Company

Board of Directors has declared for quarter ending December 31, 1956 DIVIDEND of ONE and ONE-HALF (1½%) PER CENT or $1.50 per share on PREFERRED STOCK, payable January 21, 1957 to shareholders of record January 4, 1957.

Also declared a DIVIDEND of 70c per share on COMMON STOCK, payable December 3, 1956 to shareholders of record November 9, 1956.

G. F. Cronmiller, Jr.
Vice President and Secretary

Pittsburgh, October 25, 1956



68th REGULAR DIVIDEND

The directors, on October 18, declared a regular quarterly dividend (No. 68) of thirty (30) cents per share on the Common Stock, payable on December 20 to shareholders of record November 8. The quarterly dividend (No. 6) on the 4½ per cent Cumulative Preferred Stock, Series A, at 28⅛th cents per share, and the quarterly dividend (No. 6) on the 5½ per cent Cumulative Convertible Second Preferred Stock, Series of 1955, at 41¼th cents per share, each will be paid on December 1 to shareholders of record November 8.

W. D. FORSTER, Secretary
October 18, 1956

SUNRAY MID-CONTINENT
Oil Company
SUNRAY BLDG. TULSA, OKLAHOMA

DIVIDEND NOTICES

Newmont Mining Corporation

Dividend No. 115

The Board of Directors of Newmont Mining Corporation today declared a regular dividend of 50¢ per share and an extra dividend of $1.50 per share payable in cash together with a 5% stock dividend on the Company's $10 par value Capital (Common) Stock now outstanding, all payable December 5, 1956 on stock outstanding of record at the close of business on November 13, 1956. No fractional shares will be issued.

WILLIAM T. SMITH, *Treasurer*
New York, N. Y., October 30, 1956.

NATIONAL DISTILLERS PRODUCTS CORPORATION

DIVIDEND NOTICE

The Board of Directors has declared a quarterly dividend of 25¢ per share on the outstanding Common Stock, payable on December 1, 1956, to stockholders of record on November 9, 1956. The transfer books will not close.

PAUL C. JAMESON
October 25, 1956. *Treasurer*

Schering CORPORATION

DIVIDEND No. 12

The Board of Directors has declared a regular dividend of Twenty-five cents ($0.25) a share and an extra dividend of Twenty-five cents ($0.25) a share on common stock payable November 16, 1956, to stockholders of record November 7, 1956.

M. J. FOX, Jr.
Treasurer

Bloomfield, N. J.
October 23, 1956

Mobil

SOCONY MOBIL OIL COMPANY INC.

Dividend No. 183

The Board of Directors on October 23, 1956, declared a quarterly dividend of 50¢ per share and an *extra* dividend of 50¢ per share on the outstanding capital stock of this Company, payable December 10, 1956, to stockholders of record at the close of business November 2, 1956.

A. M. Sherwood, *Secretary*

UNION CARBIDE
AND CARBON CORPORATION

UCC

New York, October 24, 1956—the Board of Directors of Union Carbide and Carbon Corporation has today declared a Quarterly Dividend of Ninety cents (90¢) per share on the outstanding capital stock of the Corporation, payable December 1, 1956 to stockholders of record November 2, 1956. The last Quarterly Dividend was Seventy-five cents (75¢) per share paid September 1, 1956.

Payment of this Quarterly Dividend on December 1st will make a total of $3.15 per share paid in 1956.

BIRNY MASON, JR.,
Secretary

Washington . . . And You

Behind-the-Scene Interpretations from the Nation's Capital

WASHINGTON, D. C.—Bank holding companies are going to get a fair shake from the Federal Reserve Board in the administration and interpretation of the Spence-Robertson bank holding company act of the 1956 session.

This was the clear inference of an authoritative Federal Reserve Board speech. It was delivered by an official who rates as one of the most forthright, if unfortunately less known of this capital. He is J. L. Robertson, the Board member generally understood to pay especial attention to bank supervisory matters. [See page seven for text of Gov. Robertson's address.—Ed.]

Furthermore, Gov. Robertson made his pronouncement before one of the principal proponents of bank holding company legislation, the "Independent Bankers Association of the 12th Federal Reserve District." They met last week as part of the annual meeting of the American Bankers Association.

Prime objective of the "independents" was, if possible, to stop the growth of bank holding companies in their tracks. They came very near that with the Douglas amendment (sponsored by Senator Paul H. Douglas, Democrat of Illinois) which "in effect declares that no holding company may acquire additional banks outside of its own state, except in states that have passed laws that explicitly welcome such acquisitions by out-of-state companies," as Gov. Robertson explained it.

The FR member with sarcasm made it clear that this amendment clearly stops holding company acquisitions across state lines.

"I shall leave it to your prophetic insight to decide how many states may be expected to pass such permissive legislation at their next—or any other—legislative session," he observed.

Attacks Discrimination

One of the arguments used to sell the legislation to clamp down on bank holding companies was the possibility of "self-dealing," or that a holding company could buy a bank for the purpose of providing itself a line of credit for its non-banking connections.

In fact, to "compromise" the legislation through and get particular Senators and key Representatives to go along with the bill, tailored language was adopted which took various particular companies out from under the new act, even though the amendments were allegedly general in character.

Governor Robertson, speaking before the devotees of the holy crusade of stopping the holding companies, pointed this out.

FR Philosophy

Although purchases of banks in other states than the state of the head office of the holding company is prohibited by the Douglas amendment, holding companies may still make acquisitions in the state where they are located. Gov. Robertson, in outlining the Board's philosophy, clearly served notice on the independents that the competitive aspect was not going to be the sole consideration in determining whether an acquisition was or was not approved.

"It is clear that the statute is not intended to prevent bank holding companies from expanding at all," Gov. Robertson declared.

He further asserted that it restrains expansion only if it goes beyond the limits of sound banking, the public interest, and the preservation of competition. "There may be circumstances," he added, "in which the proposed acquisition of a bank by a holding company would be entirely justified, even though the company already controls substantially all the other deposit assets in the particular area."

Such a possible circumstance would be the acquisition by a holding company of a failing bank.

Howe on Investments in Canada

Although it was made some two weeks ago, the speech of C. D. Howe before the Canadian Club in Chicago on American investments in Canada, would probably be recommended by officials to American companies. It would be recommended as something meriting serious thought.

Last summer the subject of American investments in Canada got a run in politics and the press, when the since retired leader of the Progressive-Conservative Opposition party criticized American investments in Canada.

The criticism, of course, did not relate to purchases of Canadian securities, only direct investments in oil, manufacturing, retailing, and minerals.

George Drew, the then leader of the Opposition, in effect said that the consequence of these direct investments was to make the Canadians the hewers of wood and the drawers of water for the Americans. He proposed, inferring legislation might be necessary, that more of Canada's raw materials should be processed in Canada, and that if there were such requirements, Canada's population would grow phenomenally.

Mr. Drew found himself almost a minority of one, with other Conservatives in Canada making is clear they did not go along. The government, of the Liberal party, repudiated the suggestion and indicated that they not only welcome U. S. investments, but had no thought of abrogating the free market in capital for Canada, or of adopting restrictions such as some other countries have on the number of foreign nationals that could be employed, how much of the capital must be domestic, and so on.

This philosophy Mr. Howe repeated in his Canadian Club speech at Chicago. The government, he reiterated, has no thought of restricting the free capital market or of putting restrictions upon U. S. investments.

Makes Suggestions

However, he did make suggestions. At the present time, Mr. Howe is rated as "No. 2 man" in the government, the leading spokesman on governmental matters affecting economics, and he is even mentioned as one of three possible successors to Louis St. Laurent as Prime Minister, when, as, and if Mr. St. Laurent retires from politics following the Canadian election in 1957.

"I suggest to you a very simple rule," said this Canadian official. "Other things being equal, it is good business for a Canadian subsidiary of a foreign company to become as Canadian as it can, without losing the benefits of association with the parent company. . . ."

"Nevertheless, any one who does business in Canada should reckon with the pride and legitimate pride of Canadians in their country," continued Mr. Howe. "In other words, they should reckon with the normal feelings of nationalism. . . . Canadians do not like to be excluded from an opportunity of participating in the fortunes, good or bad, of large-scale enterprise incorporated in Canada but owned abroad.

"They may not buy many shares, but they resent the exclusion. They do not like to see large-scale Canadian enterprises entirely dependent upon foreign parents for their research and top management. They do not like to see the financial results of large-scale Canadian enterprises treated as if they were the exclusive concern of the foreign owners," Mr. Howe stated.

Three Proposals

"I make bold therefore to offer three suggestions for the consideration of United States corporations establishing branch plants in Canada or searching for and developing Canadian natural resources:

"(1) Provide opportunities for financial participation by Canadians as minority shareholders in the equities of such corporations operating in Canada:

"(2) Provide greater opportunities for advancement in U. S.—controlled corporations for Canadians technically competent to hold executive and professional positions;

"(3) Provide more and regular information about the operations of such corporations in Canada."

On Veeps

In view of the "health issue" and the further fact that the Democrats have made Richard Nixon their foremost target, the interest in Vice-Presidential candidates probably in 1956 exceeds what that office has ever held in history.

John Adams described the office as "the most insignificant office that ever the invention of man contrived." Theodore Roosevelt called it a "fifth wheel to a coach."

It is obvious that if Mr. Nixon should again be elected Vice-President, he would become a candidate for President in 1960. So probably would Senator Estes Kefauver if elected. Yet it has been nearly 100 years since an incumbent Vice-President has ever been nominated for the No. 1 spot. John C. Breckenridge at 36 was the youngest Vice-President in history. He was nominated for President in 1860 but was beaten by Abraham Lincoln. The late Senator Alben Barkley, inaugurated at 71, was the oldest Vice-President in history. If Mr. Nixon is elected, he will be only the third man since the Civil War twice to be elected to that position.

In 1952 President Eisenhower was legally a resident of New York, but has since changed his voting and legal residence to Pennsylvania. Thus in 1956 neither the Presidential nor Vice-Presidential candidates of either party is a resident of New York. This is only the second time since the Civil War that none of the two top contenders of either party has not been a New Yorker.

[This column is intended to reflect the "behind the scene" interpretation from the nation's Capital and may or may not coincide with the "Chronicle's" own views.]

BUSINESS BUZZ

"Some stockholders can be quite persuasive when the problem of declaring a dividend comes up!"

Business Man's Bookshelf

Airline Traffic & Financial Data—Quarterly Review—Air Transport Association of America, 1107 Sixteenth Street, N. W., Washington, D. C. (paper).

Anti-Capitalistic Mentality, The—Ludwig von Mises — D. Van Nostrand Co., Inc., 120 Alexander Street, Princeton, N. J. (cloth) $3.75.

Appraising and Integrating Employee Benefits—Robert D. Gray — Industrial Relations Section, California Institute of Technology, Pasadena, Calif. (paper) $1.

Farmers at the Crossroads—Ezra Taft Benson — Devin-Adair Company, 210 East 43rd Street, New York 17, N. Y. (cloth) $2.50.

Merrill Foundation for Advancement of Financial Knowledge, Inc.—10 years' report—Merrill Foundation for Advancement of Financial Knowledge, Inc., Morgan Hall, Soldiers Field, Boston 63, Mass. (paper).

Salt Creek, Wyoming—The Story of a Great Oil Field—Harold D. Roberts—The W. H. Kistler Stationery Company, 1636 Champa Street, Denver 17, Colo. $5.50.

Studies in the Quantity Theory of Money—Phillip Cagan, John Klein, Eugene Lerner and Richard Selden—University of Chicago Press, 5750 Ellis Avenue, Chicago 37, Ill. (cloth) $5.

Tax on Accumulated Earnings—Robert S. Holzman—The Ronald Press Company, 15 East 26th St., New York 10, N. Y. (cloth), $10.00.

Women's Congress on Housing—82-page report — Housing and Home Finance Agency — U. S. Government Printing Office, Washington 25, D. C. (paper) 60 cents.